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## CODE OF REGULATIONS

### Le Parc Condominiums

#### ARTICLE 1

##### General Provisions

Section 1.1 Applicability. These Code of Regulations provide for the governance of the Condominium pursuant to the requirements of Sections 2208 and 2209 of the Delaware Unit Property Act. The Property, located in New Castle County, Delaware and more particularly described in the Declaration and Declaration Plan, has been submitted to the provisions of the Delaware Unit Property Act, 25 Delaware Code 2201-2240 ("Unit Property Act") by recordation simultaneously herewith of the Declaration and Declaration Plan among the land records of the Office of the Recorder of Deeds in and for New Castle County, Delaware.

Section 1.2 Office. The office of the Condominium, the Unit Owners Association, and the Council shall be located at the Property or at such other place as may be designated from time to time by the Council.

Section 1.3 Definitions. Terms used herein without definition shall have the meanings specified for such terms in the Declaration or if not defined therein, the meanings specified for such terms in Section 2202 of the Unit Property Act. The following terms have the following meanings in the Condominium Documents:

(a) "Building" or "Buildings" means the residential structure or structures on the Property, comprised of Units and Common Elements.

(b) "Condominium" means the Property to be known as Le Parc Condominium, which will include the land and improvements described in the Declaration, to be submitted to the Unit Property Act.

(c) "Condominium Documents" means this Code of Regulations and rules adopted thereunder, the Declaration and the Declaration Plan.

(d) "Condominium Unit" means a "unit" as defined in Section 2202(14) of the Unit Property Act.

(e) "Council" means a board of natural individuals, the number of which shall be specified in the Code of Regulations, who shall be selected as set forth therein who shall manage the business operation and affairs of the Condominium on behalf of the Unit Owners in accordance with the Code of Regulations, the Declaration, and the Act, and such other regulations as may be promulgated.

(f) "Declaration" means the Declaration filed contemporaneously herewith by Declarants in the Office For The Recording Of Deeds For New Castle County, Delaware, in Deed Book \_\_\_\_\_, Page \_\_\_\_\_.

(g) "Declarant Control Period" means the period prior to the earlier of (i) the date falling four (4) months after the date 75 percent of the Units have been conveyed to Unit Owners or, (ii) the date specified in a notice from the Declarant to the Unit Owners upon which the Declarant relinquishes the rights reserved, or (iii) December 31, 1989.

(h) "Declaration Plan" means the Declaration Plan prepared by Mann-Talley Engineers and Surveyors, Inc., dated \_\_\_\_\_ and filed contemporaneously herewith in the Office For The Recording of Deeds for New Castle County, Delaware in Microfilm No. \_\_\_\_\_.

(i) "Limited Common Expenses" means expenses separately assessed against more than one but less than all of the Condominium Units generally in accordance with the use of the services.

(j) "Majority of the Unit Owners" means that Unit Owners owning Condominium Units to which more than fifty percent of the aggregate Percentage Interests actually voted in person or by proxy at a duly convened meeting at which a quorum is present. Any specified percentage of the Unit Owners shall mean the Unit Owners owning Condominium Units to which such percentage of Percentage Interests appertain with respect to the total Percentage Interests voting at such a meeting.

(k) "Mortgagee" means an Institutional Lender holding a first mortgage or first deed of trust ("Mortgage") encumbering a Condominium Unit in the Condominium.

(l) "Officer" means any person holding office pursuant to Article 4 of these Code of Regulations, but shall not mean members of the Council unless such members are also officers pursuant to Article 4.

(m) "Percentage Interest" means the number assigned to each Unit by Exhibit B to the Declaration which establishes each Unit's undivided interest in the Common Elements, Common Expenses and Common Profits and votes in the Unit Owners Association.

(n) "Reserved Common Elements" means Common Elements which have been designated by the Council for the exclusive use of less than all of the Unit Owners on a temporary basis.

(o) "Unit Owners Association" or "Association" means the incorporated or unincorporated, non-profit association of all the Unit Owners owning Condominium Units in the Condominium.

## ARTICLE 2

### Unit Owners Association

Section 2.1 Composition. The Unit Owners Association shall consist of all of the Unit Owners. The name of the Unit Owners Association shall be the name of the Condominium followed by the words "Unit Owners Association." For all purposes the Unit Owners Association shall act merely as an agent for the Unit Owners as a group. The Unit Owners Association shall have the responsibility of administering the Condominium, establishing the means and methods of collecting assessments and charges, arranging for the management of the Condominium and performing all of the other acts that may be required or permitted to be performed by the Unit Owners Association by the Unit Property Act and the Declaration. Except as to those matters which the Unit Property Act specifically requires to be performed by the vote of the Unit Owners Association, the foregoing responsibilities shall be performed by the Council or Managing Agent as more particularly set forth in Article 3 of this Code of Regulations.

Section 2.2 Annual Meetings. The annual meetings of the Unit Owners Association shall be held at least sixty days before the beginning of each fiscal year on such date other than a Saturday, Sunday or legal holiday as may be established by the Council. At such annual meetings members of the Council shall be elected by ballot of the Unit Owners in accordance with the requirements of Section 3.4 of this Code of Regulations. During the Declarant Control Period, the Declarant shall be entitled to designate members of the Council not elected pursuant to Section 3.4.

Section 2.3 Place of Meetings. Meetings of the Unit Owners Association shall be held at the principal office of the Unit Owners Association or at such other suitable place convenient to the Unit Owners as may be designated by the Council.

Section 2.4 Special Meetings. (a) The President shall call a special meeting of the Unit Owners Association if so directed by resolution of the Council or, after the termination of the Declarant Control Period, upon a petition signed and presented to the Secretary by Unit Owners of not less than twenty-five percent of the aggregate Percentage Interests. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(b) Not later than the termination of the Declarant Control Period, a special meeting of the Unit Owners Association shall be held at which a majority of the members of the Council shall be elected by the Unit Owners, including the Declarant if the Declarant owns one or more Units. If such election is held prior to the time required by this Section, the members of the Council elected at such election shall not take office until the earlier

of the time such election is required to be held or resignation of a director appointed by the Declarant without appointment of a replacement within ten days. The elected members of the Council shall assume office in the order of the highest number of votes received. Any remaining members of the Council designated by the Declarant shall continue to serve until their terms expire.

Section 2.5 Notice of Meetings. The Secretary shall give to each Unit Owner a notice of each annual or regularly scheduled meeting of the Unit Owners at least fourteen but not more than thirty days, and of each special meeting of the Unit Owners at least seven days to such meeting, stating the time, place and purpose thereof. The giving of notice in the manner provided in this Section and section 11.1 of the Code of Regulations shall be considered service of notice.

Section 2.6 Adjournment of Meetings. If at any meeting of the Unit Owners Association a quorum is not present, Unit Owners of a majority of the Percentage Interests who are present at such meeting in person or by proxy may adjourn the meeting to a time not less than forty-eight hours after the time the original meeting was called.

Section 2.7 Order of Business. The order of business at all meetings of the Unit Owners Association shall be as follows:


- (a) roll call (proof of quorum);
- (b) proof of notice of meeting;
- (c) reading of minutes of preceding meeting;
- (d) reports of officers;
- (e) report of Board of Directors;
- (f) reports of committees;
- (g) election or appointment of inspectors of election (when so required);
- (h) election of members of the Board of Directors (when so required);
- (i) unfinished business; and
- (j) new business.
- (k) adjournment

Section 2.8 Title to Units. Title to a Unit may be taken in the name of one or more Persons, a corporation, or partnership, in any manner permitted by law. The Unit Owners Association may acquire, hold and transfer full legal title to one or more Condominium Units in the Condominium in its own name.

Section 2.9 Voting. (a) In accordance with Section 2217 of the Unit Property Act, voting at all meetings of the Unit Owners Association shall be on a percentage basis and the percentages of the vote to which each Unit Owner is entitled shall be the Percentage Interest assigned to his Unit in the Declaration. Otherwise, where the Ownership of a Unit is in more than one Person, the Person who shall be entitled to cast the vote of such Unit shall be the Person named in a certificate executed by all of the owners of such Unit and filed with the

Secretary or, in the absence of such named person from the meeting, the person who shall be entitled to cast the vote of such Unit shall be the person owning such Unit who is present. If more than one person owning such Unit is present, then such vote shall be cast only in accordance with their unanimous agreement. Such certificate shall be valid until revoked by a subsequent certificate similarly executed. Wherever the approval or disapproval of a Unit Owner is required by the Unit Property Act, the Declaration or this Code of Regulations, such approval or disapproval shall be made only by the Person who would be entitled to cast the vote of such Unit at any meeting of the Unit Owners Association.

(b) Except where a greater number is required by the Condominium Act, the Declaration or this Code of Regulations, a Majority of the Unit Owners is required to adopt decisions at any meeting of the Unit Owners Association. If the Declarant owns or holds title to one or more Units, the Declarant shall have the right at any meeting of the Unit Owners Association to cast the votes to which such Unit or Units are entitled.

(c) No Unit Owner may vote at any meeting of the Unit Owners Association or be elected to or serve on the Council if payment of the assessment on his Unit is delinquent more than thirty days and the amount necessary to bring his account current has not been paid at the time of such meeting or election. There shall be no cumulative voting. 

Section 2.10 Proxies. A vote may be cast in person or by proxy. Such proxy may be granted by any Unit Owner in favor of only another Unit Owner, the Secretary of the Unit Owners Association, the Declarant or his Mortgagee, or in the case of a non-resident Unit Owner, his attorney or management agent. Proxies shall be duly executed in writing, shall be witnessed, shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons, owning such Unit. Except with respect to proxies in favor of a Mortgagee, no proxy shall in any event be valid for a period in excess of sixty days after the execution thereof.

Section 2.11 Quorum. Except as otherwise provided in this Code of Regulations, the presence in person or by proxy of twenty-five percent or more of the Unit Owners shall constitute a quorum at all meetings of the Unit Owners Association.

Section 2.12 Conduct of Meetings. The President shall preside over all meetings of the Unit Owners Association and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring thereat. The President may appoint a person to serve as parliamentarian at any meeting of the Unit Owners Association. The then current edition of

Robert's Rules of Order shall govern the conduct of all meetings of the Unit Owners Association when not in conflict with the Declaration, this Code of Regulations or the Unit Property Act. All votes shall be tallied by tellers appointed by the President or other officer presiding over the meeting.

### ARTICLE 3

#### Council

Section 3.1 Powers and Duties. The Council shall have all of the powers and duties necessary for the administration of the affairs of the Unit Owners Association and may do all such acts and things as are not by the Unit Property Act, the Declaration or by this Code of Regulations required to be exercised and done by the Unit Owners Association. The Council shall have the power from time to time to adopt any Rules governing the details of the use and operation of the Property deemed necessary for the benefit and enjoyment of the Condominium; provided, however, that such Rules shall not be in conflict with the Unit Property Act, the Declaration or this Code of regulations. The Council shall delegate to one of its members or to a person employed for such purpose the authority to act on behalf of the Council on such matters relating to the duties of the Managing Agent (as defined in Section 3.2 hereof), if any, which may arise between meetings of the Council as the Council deems appropriate. In addition to the duties imposed by this Code of Regulations or by any resolution of the Unit Owners Association that may hereafter be adopted, the Council shall on behalf of the Unit Owners Association:

(a) Prepare and adopt an annual budget, in which there shall be expressed the assessments of each Unit Owner for the Common Expenses.

(b) Make assessments against Unit Owners to defray the costs and expenses of the Condominium, establish the means and methods of collecting such assessments from the Unit Owners and establish the period of the installment payment of the annual assessment for Common Expenses.

(c) Managing Agent shall provide for the operation, care, upkeep, repair, replacement and maintenance of all of the Property and services of the Condominium.

(d) Managing Agent shall designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Common Elements and provide services for the Property and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed part of the Property.

(e) Managing Agent shall collect the assessments against the Unit Owners, deposit the proceeds thereof in bank depositories designated by the Council and use the proceeds to carry out the administration of the Property.

(f) Make and amend the Rules and this Code of Regulations subject to the right of a majority of the Unit Owners to change any such action as provided in this Code of Regulations and Section 2211(3) of the Unit Property Act. *W*

(g) Open bank accounts on behalf of the Unit Owners Association and designate the signatories thereon. *M*

(h) Make, or contract for the making of, repairs, replacement, maintenance, additions and improvements to or alterations of the Property, and repairs to and restoration of the Property, in accordance with this Code of Regulations, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

(i) Enforce by legal means the provisions of the Declaration, this Code of Regulations and the Rules, act on behalf of the Unit Owners, with respect to all matters arising out of any eminent domain proceeding, and notify the Unit Owners of any litigation against the Unit Owners Association.

(j) Obtain and carry insurance against casualties and liabilities, as provided in Article 6 of this Code of Regulations, pay the premiums therefor and adjust and settle any claims thereunder.

(k) Pay the cost of all authorized services rendered to the Unit Owners Association and not billed to Unit Owners of individual Units or otherwise provided for in Sections 5.1 and 5.2 of this Code of Regulations.

(l) Managing Agent, if enlisted, shall keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the Condominium, specifying the expenses of maintenance and repair of the Common Elements and any other expenses incurred. Such books and vouchers accrediting the entries therein shall be available for examination by the Unit Owners, their attorneys, accountants and authorized agents during general business hours on business days at the times and in the manner set and announced by the Council for the general knowledge of the Unit Owners. All books and records shall be kept in accordance with generally accepted accounting principles, and the same shall be audited at least once each year by an independent auditor retained by the Council who shall not be a resident of the Condominium or a Unit Owner. The cost of such audit shall be a Common Expense. *Audit*

(m) Notify a Mortgagee of any default hereunder by the Unit Owner of the Unit subject to such Mortgage, if such default continues for a period exceeding thirty days.

(n) Borrow money on behalf of the Condominium when required in connection with any one instance relating to the operation, care, repair, replacement, upkeep and maintenance of the Common Elements; provided, however, that the consent of at least two-thirds in number and in Percentage Interest of all Unit Owners, obtained either in writing or at a meeting duly called and held for such purpose in accordance with the provisions of this Code of Regulations, shall be required to borrow any sum in excess of Ten Thousand Dollars (\$10,000). If any sum borrowed by the Council on behalf of the Condominium pursuant to the authority contained in this Subsection (n) is not repaid by the Unit Owners Association, a Unit Owner who pays to the creditor a percentage of the total amount due equal to his Percentage Interest in the Condominium shall be entitled to obtain from the creditor a release of any judgment or other lien which such creditor shall have filed or shall have the right to file against such Unit Owner's Condominium Unit, and the Unit Owners Association shall not be entitled to assess his Unit for payment of the remaining amount due such creditor.

(o) Acquire, hold and dispose of Condominium Units and mortgage the same if such expenditures and hypothecations are included in the budget adopted by the Unit Owners Association.

(p) In its sole discretion, designate from time to time certain Common Elements as Reserved Common Elements and impose such restrictions and conditions on the use thereof as the Council deems appropriate.

(q) Furnish the statement required by Section 2237 of the Unit Property Act, within ten days after the receipt of a written request therefor from any Unit Owner, designated "Certificate for Resale," upon receipt of such payment as may be established by the Council in compliance with Section 2237 of the Unit Property Act.

(r) Do such other things and act not inconsistent with the Unit Property Act, the Declaration or this Code of Regulations which the Council may be authorized to do by a resolution of the Unit Owners Association.

Section 3.2 Managing Agent. Except as otherwise provided herein, the Council may employ for the Condominium a "Managing Agent" at a compensation to be established by the Council.

(a) Requirements. (i) The Managing Agent shall be a bona fide business enterprise, which may be affiliated with the Declarant, which manages common interest residential communities. Such firm shall have a minimum of two years experience in real estate community management and shall employ persons possessing a high level of competence in the technical skills necessary for proper management of the Condominium. The Managing Agent must be able to advise the Council regarding the administrative operation of the Condominium and shall employ personnel knowledgeable in



the areas of condominium insurance, accounting, and condominium regulation; (ii) said managing agent shall provide fidelity insurance on all of its employees for an amount not less than \$25,000. Said managing agent shall provide (1) worker's compensation insurance for all of its employees, (2) public liability insurance, bodily injury insurance, personal injury insurance and property damage insurance for limits of \$500,000 per occurrence, including independent contractors coverage, and (3) property management agent professional liability (errors and omissions) insurance with limits of at least \$500,000 per occurrence.

(b) Duties. The Managing Agent shall perform such duties and services as the Council shall direct. Such duties and services may include, without limitation, the duties listed in Subsections 3.1, (c), (d), (e), (h), (k), (l), (m), (q) and (r). The Council may delegate to the Managing Agent all of the powers granted to the Council by this Code of Regulations other than the powers set forth in Subsections 3.1 (a), (b), (f), (g), (n), (o) and (p). The Managing Agent shall perform the obligations, duties and services relating to the management of the property, the rights of Mortgagees and the maintenance of reserve funds in compliance with the provisions of this Code of Regulations.

(c) Standards. The Council shall impose appropriate standards of performance upon the Managing Agent. Unless the Managing Agent is instructed otherwise by the Council:

(1) the accrual method of accounting shall be employed and expenses required by this Code of Regulations to be charged to more than one but less than all Unit Owners shall be accounted for separately;

(2) a person shall be responsible for handling cash to maintain adequate financial control procedures;

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

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

(5) any financial or other interest which the Managing Agent may have in any form providing goods or services to the Unit Owners Association shall be disclosed promptly to the Council; and

(6) an annual financial report shall be prepared for the Unit Owners Association containing:

(A) an Income Statement reflecting all income and expense activity for the year on an accrual basis;

(B) an Account Activity Statement reflecting all receipt and disbursement activity for the preceding year on a cash basis;

(C) an Account Status Report reflecting the status of all accounts in an "actual" versus "projected" (budget) format;

(D) a Balance Sheet reflecting the financial condition of the Unit Owners Association on an unaudited basis;

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

(F) a Delinquency Report listing all Unit Owners who are delinquent in paying condominium assessments and describing the status of any actions to collect such assessments.

### Section 3.3 Number and Term of Office.

(a) Designated Members. The initial Council shall consist of no less than three nor more than five natural individuals, all of whom shall be designated by the Declarant. The term of office of at least one of such persons shall expire at the third annual meeting; the term of office of up to two additional persons shall expire at the second annual meeting; and the term of office of any other persons shall expire at the first annual meeting. The term of each designee shall be fixed by the Declarant. At the special meeting required by Subsection 2.4(b), a number of the persons designated by the Declarant shall resign if necessary so that a majority of the members of the Council shall have been elected in accordance with Subsection 2.4(b). The persons elected shall serve for the remainder of the terms of office of the resigning members of the Council who such persons replace, or if no resignation was required, for the terms of office necessary so that the term of office of one member of the Council shall expire at each of the first three annual meetings after their election. The persons receiving the greater vote shall be elected for the longest available terms. At the expiration of the term of office of all members of the Council designated by the Declarant or elected at the special meeting held pursuant to Subsection 2.4(b), all successor directors shall be elected to serve for a term of three years.

(b) Elected Members. No later than the first annual meeting of the Unit Owners Association, the Council shall be composed of natural individuals, all of whom shall be Unit Owners, Mortgagees (or designees of Mortgagees) or designees of the Declarant, and as provided by Section 2202(5) of the Unit Property Act all members not Unit Owners shall be residents of the State of Delaware. Except for resignation or removal, the members of the Council shall hold office until their respective successors shall have been elected by the Unit Owners Association.

#### Section 3.4 Election of Council Members.

(a) Elections Committee. At least ninety days prior to the special meeting required by Subsection 2.4(b) of this Code of Regulations and each annual meeting of the Unit Owners Association, the Council shall appoint an Elections Committee consisting of a member of the Council whose term is not then expiring and at least two other Unit Owners.

(b) Nominations. Persons qualified to be on the Council may be nominated for election only by a nominating petition submitted to the Chairman of the Elections Committee at least ten days before the meeting at which the election is to be held signed by Unit Owners representing at least two Units and either signed by the nominee or accompanied by a document signed by the nominee indicating the willingness to serve as a member of the Council; provided, however, that additional nominations may be made from the floor at the meeting at which the election is held for each vacancy on the Council for which no more than one person has been nominated by petition. The nominee must either be present and consent to the nomination or have indicated in writing the willingness to serve. This Subsection (b) does not apply to Persons appointed to the Council by the Declarant.

(c) Qualifications. No Person shall be eligible for election as a member of the Council unless he is (alone or together with one or more other Persons) a Unit Owner or a resident of Delaware. No Person shall be elected as a member of the Council or shall continue to serve as a member of the Council if he is more than sixty days delinquent in his financial obligations to the Unit Owners Association and a lien has been filed against his Unit.

Section 3.5 Removal or Resignation of Council Members. Except with respect to Council Members designated by Declarant, at any regular or special meeting duly called, any one or more of the members of the Council may be removed with or without cause by a Majority of the Unit Owners 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 at least seven days notice of the time, place and purpose of the meeting and shall be given the opportunity to be heard at the meeting. A member of the Council may resign at any time and, except for a member designated by the Declarant, shall be deemed to have resigned upon disposition of his Unit, or if not in attendance at three consecutive regular meetings of the Council unless the minutes reflect consent to such absence.

Section 3.6 Vacancies. Vacancies in the Council caused by any reason other than the removal of a Council Member by a vote of the Unit Owners Association shall be filled by a vote of a majority of the remaining Council Members at a special meeting of the Council held for such purpose promptly after the occurrence of such vacancy, even though the directors present at such

meeting may constitute less than a quorum. Each person so elected shall be a member of the Council until a successor shall be elected at the next annual meeting of the Unit Owners Association. During the Declarant Control Period, the Declarant shall designate the successor to any member previously designated by the Declarant who resigns or is removed.

Section 3.7 Organization Meeting. The first meeting of the Council following the annual meeting of the Unit Owners Association shall be held within thirty days thereafter at such time and place as shall be fixed by the Unit Owners Association at the meeting at which such Council members shall have been elected, and no notice shall be necessary to the newly elected members of the Council in order legally to constitute such meeting, providing a majority of the whole Council is present at the meeting.

Section 3.8 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 such meetings shall be held at least once every six months during each fiscal year. Notice of regular meetings of the Council shall be given in writing to each Council member, by hand delivery, mail or telegraph, at least ten business days prior to the day named for such meeting.

Section 3.9 Special Meetings. Special meetings of the Council may be called by the President on three business days notice to each director, given in writing by hand delivery, mail or telegraph, which notice shall state the time, place and purpose of the meeting.

Section 3.10 Waiver of Notice. Any member of the Council may at any time, in writing, waive notice of any meeting of the Council, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member, in person or by telephone communication, at any meeting of the Council shall constitute a waiver of notice by him of the time, place and purpose of such meeting. If all 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 3.11 Quorum of Council. At all meetings of the Council a majority of the members shall constitute a quorum for the transaction of business and the votes of a majority of the members present at a meeting at which a quorum is present shall constitute the decision of the Council. If at any meeting of the Council there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice. A member of the Council who participates in a meeting by means of telephone communication shall be deemed present at the meeting for all purposes.

Section 3.12 Fidelity Bonds. As required by Subsection 6.4(a) hereof, there shall be obtained fidelity bonds in an amount not less than \$25,000,000 for the year (in such form and such greater amounts as may be required by the Mortgagees) for all officers, directors and employees of the Unit Owners Association, including without limitation the Managing Agent, handling or responsible for Condominium funds. The premiums on such bonds shall constitute a Common Expense.

Section 3.13 Compensation. No Council Member shall receive any compensation from the Condominium for acting as such.

Section 3.14 Conduct of Meetings. The President shall preside over all meetings of the Council and the Secretary shall keep a minute book of the Council meetings, recording therein all resolutions adopted by the Council and a record of all transactions and proceedings occurring at such meetings. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Council when not in conflict with the Declaration, this Code of Regulations, or the Unit Property Act.

Section 3.15 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. Any such written consent shall be filed with the minutes of the proceedings of the Council meetings.

Section 3.16 Liability of the Council, Officers, Unit Owners, and Unit Owners Association.

(a) The officers, members of the Council and members of the Covenants Committee shall not be liable to the Unit Owners Association or any Unit Owner for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Unit Owners Association shall indemnify and hold harmless each of the officers and Council members from and against all contractual liability to others arising out of contracts made by the officers or the Council on behalf of the Unit Owners Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Unit Property Act, the Declaration or this Code of Regulations, except to the extent that such liability is satisfied by directors and officers liability insurance. Officers and members of the Council shall have no personal liability with respect to any contract made by them on behalf of the Unit Owners Association. The liability of any Unit Owner arising out of any contract made by the officers or the Council, or out of the indemnification of the members of the Council or officers, or for damages as a result of injuries arising in connection with the Common Elements solely by virtue of his ownership of a Percentage Interest therein or for liabilities incurred by the Unit Owners Association, shall be limited to the total liability multiplied by his Percentage Interest. Every

agreement made by the officers, the Council or the Managing Agent on behalf of the Unit Owners Association shall, if obtainable, provide that the officers, the members of the Council or the Managing Agent, as the case may be, are acting only as agents for the Unit Owners Association and shall have no personal liability thereunder (except as Unit Owners), and that each Unit Owner's liability thereunder shall be limited to the total liability thereunder multiplied by his Percentage Interest. The Unit Owners Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he is or was a director or officer of the Unit Owners Association against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Condominium.

(b) The Unit Owners Association shall not be liable for any failure of water supply or other services to be obtained by the Unit Owners Association or paid for as a Common Expense or for injury or damage to Person or property caused by the elements or by the Unit Owner of any Condominium Unit, or any other Person, or resulting from electricity, water, snow or ice, which may leak or flow from or over any portion of the Common Elements or from any pipe, drain, conduit, appliance or equipment. The Unit Owners Association shall not be liable to any Unit Owner 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 any 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 from any action taken by the Unit Owners Association to comply with any law, ordinance or with the order or directive of any municipal or other governmental authority.

Section 3.17 Common or Interested Council Members. Each member of the Council shall exercise his powers and duties in good faith and with a view to the interests of the Condominium. No contract or other transaction between the Unit Owners Association and any of its Council members, or between the Unit Owners Association and any corporation firm or association (including the Declarant) in which any of the Council members of the Unit Owners Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because any such member is present at the meeting of the Council or any committee thereof which authorizes or approves the contract or transaction, or because his vote is counted for such purpose, if any of the conditions specified in any of the following Subsections exists:

(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 directorate or interest is disclosed or known to at least a Majority of the Unit Owners, and the Unit Owners 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 Unit Owners association at the time it is authorized, ratified, approved or executed.

Any common or interested Council member 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 such director were not such or officer of such Unit Owners Association or not so interested.

#### ARTICLE 4

##### Officers

Section 4.1 Designation. The principal officers of the Unit Owners Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Council. The Council may appoint other officers as in its judgment may be necessary. The President and Vice President shall be Unit Owners of the Condominium and members of the Council. Any other officers may, but need not, be members of the Council.

Section 4.2 Election of Officers. The officers of the Unit Owners Association shall be elected annually by the Council at the organization meetings of each new Council and shall hold office at the pleasure of the Council. Vacancies, other than by removal, shall be filled by Council at any regular or special meeting of the Council.

Section 4.3 Removal of Officers. Upon the affirmative vote of a majority of all members of the Council any officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Council or at any special meeting of the Council, called for such purpose.

Section 4.4 President. The President shall: be the chief executive officer of the Unit Owners Association; preside at all meetings of the Unit Owners Association and of the Council; have general and active management of the business of the Unit Owners Association subject to the control of the Council; see that all orders and resolutions of the Council are carried into effect; and appoint committees from among the Unit Owners from time to time as the President may in his discretion decide is appropriate to assist in the conduct of the affairs of the Unit Owners Association.

Section 4.5 Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Council shall appoint some other member of the Council to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed by the Council or by the President.

Section 4.6 Secretary. The Secretary shall: keep the minutes of all meetings of the Unit Owners Association and of the Council; have charge of such books and papers as the Council may direct; give or cause to be given all notices required to be given by the Unit Owners Association; maintain a register setting forth the place to which all notices to Unit Owners and Mortgagees hereunder shall be delivered; and in general, perform all the duties incident to the office of secretary.

Section 4.7 Treasurer. The Treasurer, if a Managing Agent is not enlisted, will be responsible for Unit Owners Association funds and securities; keep full and accurate financial record and books of account showing all receipts and disbursements; prepare all required financial data; deposit of all monies and other valuable effects in the name of the Council, the Unit Owners Association or the Managing Agent, in such depositories as may from time to time be designated by the Council; and, in general, perform all the duties incident to the office of treasurer, including those set forth in Section 2218 of the Unit Property Act.

Section 4.8 Execution of Documents. All agreements, contracts, deeds, leases, checks and other instruments of the Unit Owners Association for expenditures or obligations in excess of Ten Thousand Dollars, and all checks drawn upon reserve accounts, shall be executed by any two persons designated by the Council. All such instruments for expenditures or obligations of Ten Thousand Dollars or less, except from reserve accounts, may be executed by any one person designated by the Council.

Section 4.9 Compensation of Officers. No officer who is also a Council member shall receive any compensation from the Unit Owners Association for acting as such officer.

## ARTICLE 5

### Operation of the Property

Section 5.1 Determination of Common Expenses and Assessments Against Unit Owners.

(a) Fiscal Year. The fiscal year of the Unit Owners Association shall be the calendar year unless otherwise determined by the Council.



(b) Preparation and Approval of Budget.

(1) At least three months before the beginning of each fiscal year, the Council shall adopt a budget for the Unit Owners Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements and those parts of the Units which it is the responsibility of the Council to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by the Unit Property Act, the Declaration, this Code of Regulations or by a resolution of the Unit Owners Association, and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair and replacement of the Property and the rendering to the Unit Owners of all related services. The budget shall reflect the separate assessment of Limited Common Expenses.

(2) Such budget shall also include such reasonable amounts as the Council considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. At least sixty days before the beginning of each fiscal year, the Council shall send to each Unit Owner a copy of the budget in a reasonable itemized form which sets forth the amount of the Common Expenses and any special assessment payable by each Unit Owner. Such budget shall constitute the basis for determining each Unit Owner's assessment for the Common Expenses of the Unit Owners Association, as provided for by the Declaration. Said budget shall accordingly set forth each Unit Owners' percentage interest and corresponding pro rata share of the Common Expenses.

(c) Assessment and Payment of Common Expenses. Subject to the provisions of Subsection 9.1(a) hereof, the total amount of the estimated funds required from assessments for the operation of the Property set forth in the budget adopted by the Council shall be assessed against each Unit Owner in proportion to his respective Percentage Interest, except for Limited Common Expenses which shall be assessed against each Unit Owner benefited in proportion to the relative Percentage Interest of such Units inter se, and shall be a lien against each Unit Owner's Unit as provided in Section 9.2 of this Code of Regulations. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven months in such year, each Unit Owner shall be obligated to pay to the Council or the Managing Agent (as determined by the Council), one-twelfth of such assessment. Declarant hereby agrees and represents that it is legally bound to cover any deficit or shortage that may arise during the earlier of (i) the Declarant Control Period or (ii) the one year period following the date the first Unit is conveyed, in connection with the funds duly assessed against any unsold Unit for Commons Expenses. All Units shall be allocated full assessments no later than 60 days after the first Unit is

conveyed. Within ninety days after the end of each fiscal year, the Council shall supply to all Unit Owners, and to each Mortgagee requesting the same, and itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Council for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Council, be placed in reserve accounts, be placed in a special account to be expended solely for the general welfare of the Unit Owners, or be credited according to each Unit Owner's Percentage Interest to the next monthly installments due from Unit Owners under the current fiscal year's budget, until exhausted. Any net shortage shall be assessed promptly against the Unit Owners in accordance with their Percentage Interests and shall be payable either: (1) in full with payment of the next monthly assessment due; or (2) in not more than six equal monthly installments, as the Council may determine.

(d) Reserves. The Council shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Said reserves shall be kept and maintained in a separate account and shall at all times be segregated from other monies in the custody and control of Council. Within one year of the closing of title of the first Unit sold and conveyed, Declarant shall deposit into the reserve fund an amount equal to each unsold Unit's pro rata initial reserve fund obligation. Declarant shall reimburse itself for each pro rata advance from purchasers funds at the time of the closing of title for the balance of the Units.

Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reason, including nonpayment of any Unit Owner's assessment, the Council may at any time levy a further assessment, which shall be assessed against the Unit Owners according to their respective Percentage Interest, and which may be payable in a lump sum or in installments as the Council may determine. The Council shall serve notice of any such further assessment on Unit Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due more than ten days after the delivery of such notice of further assessment. All Unit Owners so notified shall be obligated to pay the adjusted monthly amount, or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of the effective date as set forth in the preceding Subsection (c).

(e) Initial Capital Payment. (i) Upon taking office, the first Council elected or designated pursuant to this Code of

Regulations shall determine the budget, as defined in this Section, for the period commencing thirty days after such selection and ending on the last day of the fiscal year in which such selection occurs. Assessments shall be levied and become a lien against the Unit Owners during such period as provided in Subsection (c) of this Section.

(ii) The Declarant, as the agent of the Council, will collect from each initial purchaser at the time of settlement an "initial capital payment" equivalent to twice the estimated monthly assessment for Common Expenses for such purchaser's Unit. The Declarant will deliver the funds so collected to the Council to provide necessary working capital for the Unit Owners Association. Such funds may be used for certain prepaid items, initial equipment, supplies, organizational costs and other start-up costs, and for such other purposes as the Council may determine.

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

(g) Accounts. Except as otherwise provided herein, all sums collected by the Council with respect to assessments against the Unit Owners or from any other source may be commingled into a single fund or held for each Unit Owner in accordance with his Percentage Interest.

Section 5.2 Payment of Common Expenses. Each Unit Owner shall pay the Common Expenses, including Limited Common Expense, assessed by the Council pursuant to the provisions of Section 5.1. No Unit Owner may exempt himself from liability for his contribution toward Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit. No Unit Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit subsequent to the date of recordation of a conveyance by him in fee of such unit. Prior to or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. The purchaser of a Unit shall be jointly and severally liable with the selling Unit Owner for all unpaid assessments against the latter for his proportionate share of the Common Expenses up to the time of such recordation, without prejudice to the purchaser's right to recover from the selling Unit Owner amounts paid by the purchaser therefor in accordance with the provisions of the Unit Property Act; provided, however,

that any such purchaser shall be entitled to a statement setting forth the amount of the unpaid assessments against the selling Unit Owner within five business days following a written request therefor to the Council or Managing Agent and such purchaser shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments in excess of the amount therein set forth; and provided, further, that each Mortgagee who comes into possession of a Condominium Unit by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall, to the full extent permitted by the Unit Property Act, take the Condominium Unit free of any claims for unpaid assessments or charges against such Unit which accrue prior to the time such Mortgagee comes into possession thereof, except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Condominium Units including the mortgaged Condominium Unit.

Section 5.3 Collection of Assessments. The Council or the Managing Agent at the request of the Council, shall take prompt action to collect any assessments for Common Expenses due from any Unit Owner which remain unpaid for more than thirty days from the due date for payment thereof. Any assessment, or installment thereof, not paid within five days after due shall accrue a late charge in the amount of Ten Dollars, or such other amount as may be established from time to time by the Council.

Section 5.4 Statement of Common Expenses. The Council shall promptly provide any Unit Owner, contract purchaser or Mortgagee so requesting the same in writing with a written statement of all unpaid assessments for Common Expenses due from such Unit Owner. The Council may impose a reasonable charge for the preparation of such statement to cover the cost of preparation.

Section 5.5 Maintenance, Repair, Replacement and Other Common Expenses.

(a) By the Council. The Council shall be responsible for the maintenance, repair and replacement (unless, if in the opinion of not less than eighty percent of the Council such expense was necessitated by the negligence, misuse or neglect of a Unit Owner) of all of the Common Elements (including the Limited Common Elements) as defined herein or in the Declaration, whether located inside or outside of the Units, the cost of which shall be charged to all Unit Owners as a Common Expense; provided, however, that each Unit Owner shall perform normal maintenance on the Limited Common Elements appurtenant to his Unit and any portion of the remaining Common Elements which the Council pursuant to the Rules and this Code of Regulations has given him permission to utilize, including without limitation the items enumerated in Subsection (b) hereof.

(b) By the Unit Owner.

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

(2) Any Unit Owner permitted by the Council to use a specific portion of the Common Elements for storage is responsible for the maintenance and care of such portion and shall use such portion in a safe and sanitary manner.

(3) Any Unit Owner whose Unit includes a patio or wood deck shall be responsible for the normal maintenance, repair and upkeep of said patio or wood deck. Such Unit Owner shall not effect any repair, alteration or other change to said patio or wood deck which will alter or change the exterior appearance of the Condominium without the consent of the Council. Use of the decks should be limited to normal outside deck usage and none of the following: bicycles, appliances, large storage containers.

(c) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality but may be done with contemporary building materials and equipment. The method of approving payment vouchers for all repairs and replacements shall be determined by the Council.

Section 5.6 Additions, Alterations or Improvements by Council. Except during the Declarant Control Period, whenever in the judgment of the Council the Common Elements shall require additions, alterations or improvements costing in excess of Seventy-Five Hundred Dollars (\$7500.00) during any period of twelve consecutive months, the making of such additions, alterations or improvements requires the prior approval of a Majority of the Unit Owners, and the Council shall assess all Unit Owners benefited for the cost thereof as a Common Expense (or Limited Common Expense). Any additions, alterations or improvements costing Seventy-Five Hundred Dollars (\$7500.00) or less during any period of twelve consecutive months may be made by the Council without approval of the Unit Owners and the cost thereof shall constitute a Common Expense or Limited Common Expense, depending on the nature of the additions, alterations or improvements. The Seventy-Five Hundred Dollar limitation shall

be increased annually by the percentage equal to any percentage increase in the annual budget of the Condominium. Notwithstanding the foregoing, if, in the opinion of not less than eighty percent of the members of the Council, such additions, alterations or improvements are exclusively or substantially exclusively for the benefit of the Unit Owner or Unit Owners requesting the same, such requesting Unit Owners shall be assessed therefore in such proportion as they jointly approve or, if they are unable to agree thereon, in such proportion as may be determined by the Council.

X Section 5.7 Additions, Alterations or Improvements by the Unit Owners. No Unit Owners shall make any structural addition, alterations or improvement in or to his Unit without the prior written consent of the Council as appropriate which consent shall not be unreasonably withheld. No Unit Owner shall paint or alter the exterior of his Unit, including the doors and windows, nor shall any Unit Owner paint or alter the exterior of any building, without the prior written consent of the Council as appropriate. The Council shall be obligated to answer any written request by a Unit Owner for approval of a proposed structural addition, alteration or improvement in such Unit Owner's Unit within forty-five days after such request. In any application to any governmental authority for a permit to make any such structural addition, alteration or improvement in or to any Unit requires execution by the Unit Owners Association, and provided consent has been given by the Council, then the application shall be executed on behalf of the Unit Owners Association by the Council only, without however incurring any liability on the part of the Council or any of its members to any contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any person having claim for injury to person or damage to property arising therefrom. Subject to the approval of any Mortgagee of such affected Units, the Council and any Unit Owner affected, any Unit may be subdivided or may be altered so as to relocate the boundaries between such Unit and any adjoining Units. In this connection, all governmental regulations and approvals, (including subdivision regulations) which are applicable, shall be complied with and obtained. The Secretary shall record any necessary amendment to the Declaration to effect such action as provided in Sections 2220 and 2225 of the Unit Property Act. The provisions of this Section 5.7 shall not apply to Units owned by the Declarant until deeds of conveyance of such Units shall have been recorded; provided, however, that Declarant's construction or alterations shall be architecturally compatible with existing Units. The Declarant shall have the right to make such alterations or subdivisions without the consent of the Council and the Council shall execute any such application required.

Section 5.8 Restrictions on Use of Units and Common Elements; Rules and Regulations.

(a) Restrictions. Each Unit and the Common Elements shall be occupied and used as provided for in Article 9 of the Declaration.

(b) Changes to Rules and Code of Regulations. In addition to the provisions of this Code of Regulations, each Unit and the Common Elements shall be operated, occupied and used in compliance with the Rules which shall be promulgated, adopted and changed by the Council in accordance with the terms and conditions of Article 3 of this Code of Regulations. Copies of the Rules shall be furnished by the Council to each Unit Owner. Changes to the Rules shall be noticed in a writing directed to all Unit Owners prior to the time when the same shall become effective. Rules duly promulgated by Council shall not conflict with the provisions of this Code of Regulations but may provide means for implementing any provision hereof which is not self-executing. This provision is subject to the rights of Unit Owners set forth in Section 2211 of the Unit Property Act.

Section 5.9 Right of Access. By acceptance of his deed of conveyance, each Unit Owner thereby grants a right of access to his Unit, as provided by Section 2215 of the Unit Property Act and Subsection 4.2(b) of the Declaration, to the Council or the Managing Agent, or any other person authorized by the Council or the Managing Agent, or any group of the foregoing, for the purpose of enabling the exercise and discharge of their respective powers and responsibilities, including without limitation making inspections correcting any condition originating in his Unit and threatening another Unit or the Common Elements, performing installations, alterations or repairs to the mechanical or electrical services or the Common Elements in his Unit or elsewhere in the Property or to correct any condition which violates any Mortgage; provided, however, that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether or not the Unit Owner is present. Unit owners not so present shall be promptly notified of any such entry and the reason therefore shall be disclosed.

Section 5.10 Unit Owners Association. The Unit Owners Association hereby is authorized to grant permits, licenses, and easements over Common Elements for utilities, roads and other legitimate and reasonable purposes. The power hereby conferred shall be subject to such reasonable rules and regulations as Council may prescribe from time to time in accordance with the provision of this Code of Regulations and the Declaration.

Section 5.11 Utility Charges. The cost of utilities serving the Condominium not individually metered to a Unit shall be Common Expenses allocated pursuant to Section 5.1 hereof.

Section 5.12 Parking Spaces. Each of the parking spaces located on the land contiguous to the Building and so designated on the Plats and Plans and may be subject to designation as Limited Common Elements appurtenant to certain designated Units as determined by Council. All parking spaces including any extra spaces, if any, shall be used by the Unit Owners for self-service parking purposes on a "first come, first served" basis, except as the Council may otherwise determine; provided, however, that no Unit Owner shall park more than one vehicle (owned or lease by such Unit Owners, a member of his family, an employee or a tenant leasing his Unit) on the Common Element parking spaces (excluding Limited Common Element parking spaces) without the prior written consent of the Council. The cost of maintenance and repair of all parking areas shall be a Common Expense.

Section 5.13 Fenestrations All unit owners shall install mini blinds in a neutral color, i.e. white, bone or gray, on windows and door windows visible from the outside.

None of the amenities or facilities, including any recreational or parking facility, related to or associated with the land and project are, or are proposed to be leased to the Unit Owners Association or Unit Owners. This certification shall not affect any of the assessment provisions of the Condominium Documents.

## ARTICLE 6

### Insurance

#### Section 6.1 Authority to Purchase; Notice.

(a) Except as otherwise provided in Section 6.5, all insurance policies relating to the Property shall be purchased by the Council. The Council, the Managing Agent and the Declarant shall not be liable for failure to obtain any coverages required by this Article 6 or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverages from reputable insurance companies, or if such coverages are so available only at demonstrably unreasonable cost. The council shall promptly furnish to each Unit Owner and Mortgagee of any Unit written notice of the procurement of, subsequent changes in, or termination of, insurance coverages obtained on behalf of the Unit Owners Association.

(b) Each such policy shall provide that:

(1) The insurer waives any right to claim by way of subrogation against the Declarant, the Unit Owners Association, the Council, the Managing Agent or the Unit Owners, and their respective agents, employees, guests, and, in the case of the Unit Owners, the members of their households;

(2) Such policy shall not be cancelled, invalidated or suspended due to the conduct of any Unit Owner (including his invitees, agents and employees) or any member, officer or employee of the Council or the Managing Agent without a prior



demand in writing that the Council or the Managing Agent cure the defect and neither shall have cured such defect within sixty days after such demand;

(3) Such policy may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least sixty days prior written notice to the Council and the Managing Agent and, in the case of physical damage insurance, to all Mortgagees.

(c) The Declarant, so long as Declarant shall own any Unit, shall be protected by all such policies as a Unit Owner.

(d) All policies of insurance shall be written by reputable companies licensed or approved to do business in the State of Delaware. Physical damage policies shall be in form and substance and with carriers acceptable to Mortgagees holding a majority of the Mortgages (based upon one vote for each Mortgage owned.)

(e) The deductible, if any, on the insurance policy purchased by the Council shall be a Common Expenses, except where the Claim is for components of a Unit.

#### Section 6.2. Physical Damage Insurance

(a) The Council shall obtain and maintain a blanket, "all-risk" form policy of fire insurance with extended coverage, vandalism, malicious mischief, windstorm, sprinkler leakage (if applicable), debris removal, cost of demolition and water damage endorsements, insuring the entire Property (including all of the Units and the bathroom, kitchen and other fixtures initially installed therein by the Declarant and the replacements thereto installed by the Declarant but not including furniture, wall coverings, furnishings or other personal property supplied or installed by Unit Owners), together with all air-conditioning and heating equipment and other service machinery contained therein and covering all the interests of the Unit Owners Association, the Council and all Unit Owners and their Mortgagees, as their interests may appear, subject, however, to the loss payment and adjustment provisions in favor of the Council as Insurance Trustee contained in Section 6.6, in an amount equal to 100% of the then current replacement cost of the Property (exclusive of the Land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation (such amount to be redetermined annually by the Council with the assistance of the insurance company affording such coverage).

(b) Such policy shall also provide:

(1) A waiver of any right of the insurer to repair, rebuild or replace any damage or destruction, if a decision is made pursuant to this Code of Regulations not to do so;

(2) The following endorsements (or equivalent):  
(i) "no control" (to the effect that coverage shall not be prejudiced by any act or neglect of any occupant or Unit Owner or their agents when such act or neglect is not within the control of the insured; or the Unit Owners collectively; nor by any failure of the insured, or the Unit Owners collectively, to comply with any warranty or condition with regard to any portion of the Condominium over which the insured, or the Unit Owners collectively, have no control); (ii) "contingent liability from operation of building laws or codes" (if required); (iii) "increased cost of construction" or "condominium replacement cost" (if required); and (iv) "agreed amount" or elimination of co-insurance clause; and

(3) That any "no other insurance" clause expressly exclude individual Unit Owner's policies from its operation so that the physical damage policy purchased by the Council shall be deemed primary coverage and any individual Unit Owner's policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained by the Council hereunder provide for or be brought into contribution with insurance purchased by individual Unit Owners or their Mortgagees, unless otherwise required by law.

(c) A duplicate original of the policy of physical damage insurance, all renewals thereof, and any subpolicies or certificates and endorsements issued thereunder, together with proof of payment of premiums, shall be delivered by the insurer to any Mortgagee requesting the same, at least thirty days prior to expiration of the then current policy. Prior to obtaining any policy of physical damage insurance or any renewal thereof the Council shall obtain an appraisal from the insurance company, or such other source as the Council may determine, of the then current replacement cost of the Property (exclusive of the Land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation, for the purpose of determining the amount of physical damage insurance to be secured pursuant to this Section 6.2. All Mortgagees shall be notified promptly of any event giving rise to a claim under such policy arising from damage to the Common Elements in excess of one percent of the then current replacement cost of the Property. The Mortgagee of a Unit shall be notified promptly of any event giving rise to a claim under such policy arising from damage to such Unit.

Section 6.3 Liability Insurance. The Council shall obtain and maintain comprehensive general liability (including libel, slander, false arrest and invasion of privacy coverage and errors and omissions coverage for Council members and directors) and property damage insurance in such limits as the Council may from time to time determine, insuring each member of the Council, the Managing Agent, each Unit Owner and the Declarant against any liability to the public or the Unit Owners (and their invitees,

agents and employees) arising out of or incident to the ownership and/or use of the Common Elements. Such insurance shall be issued on a comprehensive basis and shall contain: (i) a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to his action against another named insured; (ii) hired and non-owned vehicle coverage; (iii) host liquor liability coverage with respect to events sponsored by the Unit Owners Association; (iv) deletion of the normal products exclusion with respect to events sponsored by the Unit Owners Association; and (v) a "severability of interest" endorsement which shall preclude the insurer from denying liability to a Unit Owner because of negligent acts of the Unit Owners Association or of another Unit Owner. The Council shall review such limits once each year, but in no event shall such insurance be less than Five Million Dollars (\$5,000,000) covering all claims for bodily injury or property damage arising out of one occurrence. The foregoing Five Million Dollar sum shall include reasonable amounts of "umbrella" liability insurance in excess of the primary limits.

Section 6.4 Other Insurance. The Council shall obtain and maintain:

(a) adequate fidelity coverage to protect against dishonest acts on the part of officers, directors, trustees and employees of the Unit Owners Association and all others who handle, or are responsible for handling, funds of the Unit Owners Association, including the Managing Agent. Such fidelity bonds shall: (i) name the Unit Owners Association as an obligee; (ii) be written in an amount not less than one-half the total annual condominium assessments for the year or the amount required by the Council, whichever is greatest; and (iii) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression;

(b) if required by any governmental or quasi-governmental agency, flood insurance in accordance with the then applicable regulations of such agency;

(c) workmen's compensation insurance if and to the extent necessary to meet the requirements of law;

(d) broad form boiler and machinery insurance (if applicable) in an amount not less than Five Hundred Thousand Dollars per accident per location; and

(e) such other insurance as the Council may determine or as may be requested from time to time by a Majority of the Unit Owners.

Section 6.5 Separate Insurance. Each Unit Owner shall have the right, at his own expenses, to obtain insurance for his Unit and for his own benefit and to obtain insurance coverage upon his

personal property and for his personal liability as well as upon any improvements made by him to his Unit under coverage normally called "improvements and betterments coverage"; provided, however, that no Unit Owner shall be entitled to exercise his right to acquire or maintain such insurance coverage so as to decrease the amount which the Council, on behalf of all Unit Owners, may realize under any insurance maintained by the Council or to cause any insurance coverage maintained by the Council to be brought into contribution with insurance coverage obtained by a Unit Owner. All such policies shall contain waivers of subrogation and each Unit Owner hereby waives such right of subrogation. No Unit Owner shall obtain separate insurance policies on the condominium except as provided in this Section 6.5.

#### Section 6.6 Insurance Trustee.

(a) All physical damage insurance policies purchased by the Council shall be for the benefit of the Unit Owners Association, the Unit Owners, their Mortgagees and the Declarant, as their interest may appear, and shall provide that all proceeds of such policies shall be paid in trust to the Council as "Insurance Trustee" to be applied pursuant to the terms of Article 7.

(b) The sole duty of the Council as Insurance Trustee shall be to receive such proceeds as are paid to it and to hold the same in trust for the purposes elsewhere stated in this Code of Regulations, for the benefit of the insurers and their beneficiaries thereunder.

### ARTICLE 7

#### Repair and Reconstruction After Fire or Other Casualty

Section 7.1 When Repair and Reconstruction are Required. Except as otherwise provided in Section 7.4, and subject to the provisions of Section 2239 of the Unit Property Act, in the event of damage to or destruction of all or any part of the buildings as a result of fire or other casualty, the Council shall arrange for and supervise the prompt repair and restoration of the buildings (including any damaged Units, and the floor coverings, kitchen, bathroom and other fixtures and appliances initially installed therein by the Declarant, and replacements thereof installed by the Declarant, but not including any furniture, furnishings, fixtures, equipment or other personal property supplied or installed by the Unit Owners in the Units). Notwithstanding the foregoing, each Unit Owner shall have the right to supervise the redecorating of his own Unit.

#### Section 7.2 Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any portion of the building, the Council shall obtain reliable and detailed estimates of the cost of repairing and restoring such portion (including any damaged Units and floor coverings and kitchen and bathroom fixtures and appliances initially installed by Declarant, and the replacements thereof installed by the Declarant, but not including any other furniture, furnishings, fixtures or equipment installed by the Unit Owner in the Unit) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the Council as Insurance Trustee determines to be necessary.

(b) Assessments. If the proceeds of insurance are not sufficient to defray such estimated costs of reconstruction and repair, or if upon completion of reconstruction and repair the funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair may be obtained from the appropriate reserve for replacement funds and/or shall be deemed a Common Expense and a special assessment therefor shall be levied.

(c) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the original construction of the Property, subject to any modifications by changes in applicable governmental regulations, and using contemporary building materials and technology to the extent feasible.

### Section 7.3 Disbursements of Construction Funds.

(a) Construction Fund and Disbursement. The proceeds of insurance collected on account of casualty, and the sums received by the Council as Insurance Trustee from collections of assessments against Unit Owners on account of such casualty, shall constitute a construction fund which shall be disbursed in payment of the costs of reconstruction and repair in the following manner:

(1) If the estimated cost of reconstruction and repair is less than Fifty Thousand Dollars (\$50,000), then the construction fund shall be disbursed in payment of such costs upon order of the Council; provided, however, that upon request of twenty percent of the Mortgagees (based upon one vote for each Mortgage owned), such fund shall be disbursed pursuant to paragraph (2).

(2) If the estimated cost of reconstruction and repair is Fifty Thousand Dollars (\$50,000) or more, then the construction fund shall be disbursed in payment of such costs upon approval of a contractor qualified to practice in Delaware and employed by the Council as Insurance Trustee to supervise such work, payment to be made from time to time as the work progresses. The contractor shall be required to furnish a

certificate giving a brief description of the services and materials furnished by various contractors, subcontractors, materialmen, the architect and other persons who have rendered services or furnished materials in connection with the work stating that: (i) the sums requested by them in payment are justly due and owing and that such sums do not exceed the value of the services and materials furnished; (ii) there is no other outstanding indebtedness known to such contractor for the services and materials described; and (iii) the cost as estimated by such architect for the work remaining to be done subsequent to the date of such certificate does not exceed the amount of the construction fund remaining after payment of the sum so requested.

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

(c) Common Elements. When the damage is to both Common Elements and Units, the insurance proceeds shall be applied first to the cost of repairing those portions of the Common Elements which enclose and service the Units, then to the cost of repairing the other Common Elements and thereafter to the cost of repairing the Units.

(d) Certificate. The Council as Insurance Trustee shall be entitled to rely upon a certificate executed by the President or Vice President, and the Secretary, certifying: (i) whether the damaged Property is required to be reconstructed and repaired; (ii) the name of the payee and the amount to be paid with respect to disbursement from any construction fund whether surplus funds to be distributed are less than the assessments paid by the Unit Owners; and (iii) all other matters concerning the holding and disbursing of any construction fund. Any such certificate shall be delivered to the Council as Insurance Trustee promptly after request.

Section 7.4 When Reconstruction Is Not Required. To the extent permitted by Section 2239 of the Unit Property Act, in the event the Council elects not to repair insubstantial damage to the Common Elements, the Council shall remove all remains of the damaged improvements and restore the site thereof to an acceptable condition compatible with the remainder of the Condominium, and the balance of any insurance proceeds received on account of such damage shall be distributed among all Unit Owners in proportion to their respective Percentage Interests. If the Condominium shall be terminated pursuant to Section 2229 or 2239 of the Unit Property Act, the net assets of the

Condominium together with the net proceeds of insurance policies, if any, shall be divided by the Council as Insurance Trustee among all Unit Owners in proportion to their respective Percentage Interests, after first paying out of the share of each Unit Owner, to the extent sufficient therefor, the amount of any unpaid liens on his Unit in the order of priority of such liens.

## ARTICLE 8

### Mortgages

Section 8.1 Notice to Council A Unit Owner who mortgages his Unit shall notify the Council of the name and address of his Mortgagee and shall file a conformed copy of the note and Mortgage with the Council.

Section 8.2 Notice of Default, Casualty or Condemnation. The Council when giving notice to any Unit Owner of a default in paying an assessment for Common Expenses or any other default, shall simultaneously send a copy of such notice to the Mortgagee of such Unit. Each Mortgagee shall also be promptly notified of any casualty when required by Subsection 6.2(c) hereof, of all actions taken under Article 7 and of any taking in condemnation or by eminent domain and actions of the Unit Owners Association with respect thereto. For purposes of this Section only, when notice is to be given to a Mortgagee, the Council shall also give such notice to the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Farmer's Home Administration, the Government National Mortgage Association and any other public or private secondary mortgage market entity participating in purchasing or guarantying Mortgages if the Council has notice of such participation.

Section 8.3 Notice of Amendment of Declaration or Regulations. The Council shall give notice to all Mortgagees at least seven days prior to the date on which the Unit Owners, in accordance with the provisions of this Code of Regulations, materially amend the Condominium Documents. A change or modification of any provision of the Condominium Documents which touches or concerns the following matters shall be deemed a material amendment: voting rights, assessments, assessment liens, or subordination of assessment liens; reserves for maintenance, repair and replacement of common areas; responsibility for maintenance and repairs; reallocation of interests in the general or limited common areas, or rights to their use; boundaries of any unit; convertibility of units into common areas or vice versa; expansion or contraction of the project, or the addition, annexation or withdrawal of property to or from the project; insurance or fidelity bonds; leasing of units; imposition of any restrictions on a Unit Owner's right to sell or transfer his or her unit; a decision by the Unit Owners'

Association to establish self management when professional management had been required previously by an eligible mortgage holder; restoration or repair of the project (after a hazard damage or partial condemnation) in a manner other than that specified in the documents; any action to terminate the legal status of the project after substantial destruction or condemnation occurs; or any provisions that expressly benefit mortgage holders, insurers or guarantors.

Section 8.4 Notice of Change in Managing Agent. The Council shall give notice to all Mortgagees at least thirty days prior to changing the Managing Agent.

Section 8.5 Mortgagees' Approvals. Unless at least fifty-one percent (51%) of the Mortgagees (bases upon votes of Unit estates that are subject to mortgages held by eligible holders) and at least sixty-seven percent (67%) of the Unit Owners (other than the Declarant), have given their prior written approval, the Unit Owners Association shall not: (a) change any Unit's Percentage Interest in Common Expenses and Common Profits or in the Common Elements, except as provided in Section 2219(6) of the Unit Property Act; (b) partition, subdivide, abandon, encumber, sell or transfer the Common Elements of the Condominium (except for the granting of utility easements, etc. pursuant to Section 2215 of the Unit Property Act); (c) by act or omission withdraw the submission of the Property to the Unit Property Act, except as provided by Section 2229 of the Unit Property Act; (d) modify the method of determining and collecting assessments or allocating distributions of casualty insurance proceeds or condemnation awards; or (e) use hazard insurance proceeds for losses to the Condominium for any purpose other than repair, replacement or restoration except as provided in Section 7.4 hereof, or (f) effect any other amendment deemed material in accordance with the provisions of Section 8.3.

Section 8.6 Other Rights of Mortgagees. All Mortgagees or their representatives shall have the right to attend and to speak at meetings of the Unit Owners Association. All such Mortgagees shall have the right to examine the books and records of the Condominium, and to require the submission of annual financial reports and other budgetary information. Mortgagees shall have the right to receive audited financial information; provided, however, that the cost and expense of any audit shall be borne exclusively by the requesting Mortgagee. Current copies of all Condominium Documents shall be available for inspection by Unit Owners and by Mortgagees or Guarantors during normal business hours at the office of Declarant.

Section 8.7 Notice. Mortgagees or Guarantors of the mortgages on any unit shall receive, as provided for below, timely written notice of the following:

(a) Any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage;



(b) Any sixty (60) day delinquency in the payment of assessments or charges owed by the owner of any unit on which it holds the mortgage;

(c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the owners association;

(d) Any proposed action that requires consent of a specified percentage of eligible mortgage holders.

A Mortgagee shall only be entitled to written notice of the foregoing if it has requested same in writing and gives the owner's association its name and address and the unit number address of the unit to which its mortgage attaches.

## ARTICLE 9

### Compliance and Default

Section 9.1 Relief. Each Unit Owner shall be governed by, and shall comply with, all of the terms of the Condominium Documents and the Unit Property Act as any of the same may be amended from time to time. In addition to the remedies provided in Section 2210 of the Unit Property Act, a default by a Unit Owner shall entitle the Unit Owners Association, acting through its Council or through the Managing Agent, to the following relief:

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

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

(c) No Waiver of Rights. The failure of the Unit Owners Association, the Council or of a Unit Owner to enforce any right, provisions, covenant or condition which may be granted by the Condominium Documents or the Unit Property Act shall not constitute a waiver of the right of the Unit Owners Association, the Council or the Unit Owner to enforce such right, provision,

covenant or condition in the future. All rights, remedies and privileges granted to the Unit Owners Association, the Council or any Unit Owner pursuant to any term, provision, covenant or condition of the Condominium Documents or the Unit Property Act shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Condominium Documents or the Unit Property Act or at law or in equity.

(d) Interest. In the event of a default by any Unit Owner in paying any sum assessed against his Condominium Unit other than for Common Expenses which continues for a period in excess of fifteen days, interest at a rate not to exceed the lower of the maximum permissible interest rate which may be charged by a Mortgagee under a Mortgage at such time or eighteen percent per annum may be imposed in the discretion of the Council on the principal amount unpaid from the date due until paid.

(e) Abating and Enjoining Violations by Unit Owners. The violation of any of the Rules adopted by the Council, the breach of any provisions contained herein or the breach of any provision of the Declaration or the Unit Property Act shall give the Council the right, in addition to any other rights set forth in this Code of Regulations: (i) to enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Council shall not thereby be deemed guilty in any manner of trespass; provided, however, that judicial proceedings shall have been first instituted before any such action is taken; or (ii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

(f) Legal Proceedings. Failure to comply with any of the terms of the Declaration, this Code of Regulations and the Rules shall be grounds for relief, including without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in this Code of Regulations or any combination thereof and any other relief afforded by a court of competent jurisdictions, all of which relief may be sought by the Unit Owners Association, the Council, the Managing Agent or, if appropriate, by any aggrieved Unit Owner and shall not constitute an election of remedies.

Section 9.2 Liability For Assessments. The total annual assessment of each Unit Owner for Common Expenses or any special assessment, or any other duly levied (including, without limitation, fines, interest at six (6%) percent from 30 days following adoption of the resolution making the assessment, late charges, etc.), made pursuant to this Code of Regulation, is

hereby declared to be the personal liability of the Unit Owner as provided in Section 2233 of the Unit Property Act, which liability shall, with respect to annual assessments, be effective on the first day of each fiscal year of the Condominium and, as to special assessments and other sums duly levied, on the first day of the next month which begins more than seven days after delivery to the Unit Owner of notice of such special assessment or levy. The Council or the Managing Agent may file or record such other or further notice of any such liability, or such other or further document, as may be required to confirm the establishment and priority of such charge for the assessment.

(b) Acceleration. In any case where an assessment against a Unit Owner is payable in installments, upon a default by such Unit Owner in the timely payment of any two consecutive installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated, at the option of the Council, and the entire balance of the annual assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting Unit Owner and his Mortgagee by the Council or the Managing Agent.

(c) Enforcement. The charge for assessments may be enforced and foreclosed as provided in Section 2234 of the Unit Property Act and in any other manner permitted by the laws of the State of Delaware, by power of sale pursuant to Section 9.3 hereof or action in the name of the Council or the Managing Agent, acting on behalf of the Unit Owners Association. During the pendency of such suit the Unit Owner shall be required to pay a reasonable rental for the Unit for any period prior to sale pursuant to any judgement or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the laws of the State of Delaware.

(d) Remedies Cumulative. A suit to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the judgment securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

Section 9.3 Supplemental Enforcement of the Assessment. In addition to the proceedings at law or in equity for the enforcement of the charge for the assessment established by the Declaration, this Code of Regulations or the Unit Property Act, all of the Unit Owners may be required by the Declarant or the Council to execute bonds conditioned upon the faithful performance and payment of the installments of the charge established thereby and may likewise be required to secure the payment of such obligations by a declaration of trust recorded among the land records of New Castle County, Delaware granting unto a trustee or trustees appropriate powers to the end that, upon default in the performance of such bond such declaration of trust may be foreclosed by such trustee or trustees acting at the

direction of the Council. In the event any such bonds have been executed and such declaration of trust is recorded, then any subsequent purchaser of a Unit shall take title subject thereto and shall assume the obligations provided for therein.

Section 9.4     Subordination and Mortgage Protection. Notwithstanding any other provisions hereof to the contrary, the charge of any assessment levied pursuant to this Code of Regulations upon any Unit (and any penalties, interest on assessments, late charges or the like) shall be subordinate to, and shall in no way affect the rights of the holder of a Mortgage made in good faith for value received; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Unit pursuant to a decree of foreclosure, or any proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the purchaser of the Unit at such sale from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment, which lien shall have the same effect and be enforced in the same manner as provided herein. In the event that title to a Unit is transferred by sheriff's sale pursuant to execution upon any lien against the Unit, the Council may give notice in writing to the sheriff of any unpaid assessments for common expenses which are a charge against the Unit, but have not been reduced to lien pursuant to Section 2234 of the Unit Property Act, and the sheriff shall pay the assessments of which he has such notice out of any proceeds of the sale which remain in his hands for distribution after payment of all other claims, which he is required by law to pay, but prior to any distribution of the balance to the former Unit Owner against him the execution issued.

## ARTICLE 10

### Amendments to Code of Regulations

Section 10.1     Amendments. This Code of Regulations may not be modified or amended except as provided in Section 2207 of the Unit Property Act; provided, however, that until the expiration of the Declarant Control Period, Sections 2.2, 2.9, 3.3, and 10.1 may not be amended without the prior written consent of the Declarant. All amendments to the Code of Regulations shall be prepared and recorded by the Secretary.

Section 10.2     Approval of Mortgagees. This Code of Regulations contains provisions concerning various rights, priorities, remedies and interests of Mortgagees. Such provisions in this Code of Regulations are to be construed as covenants for the protection of such Mortgagees on which they may rely in making loans secured by Mortgages. Accordingly, no amendment or modification of this Code of Regulations impairing or affecting such rights, priorities, remedies or interests of a Mortgagee shall be adopted without the prior written consent of such Mortgagee.

ARTICLE 11

Miscellaneous

Section 11.1 Notices. All notices, demands, bills, statements or other communications under this Code of Regulations shall be in writing and shall be deemed to have been duly given if delivered personally or sent by United States mail, postage prepaid, or if notification is of a default or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid, (i) if to a Unit Owner, at the address which the Unit Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Unit of such Unit Owner, or (ii) if to the Unit Owners Association, the Council or to the Managing Agent, at the Principal office of the Managing Agent or at such other address as shall be designated by notice in writing to the Unit Owners pursuant to this Section. If a Unit is owned by more than one Person, each such Person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder.

Section 11.2 Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Code of Regulations or the intent of any provision thereof.

Section 11.3 Gender. The use of the masculine gender in this Code of Regulation shall be deemed to include the feminine and neuter gender and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

Section 11.4 Construction. The Condominium Documents are intended to comply with all of the applicable provisions of the Unit Property Act and shall be so interpreted and applied. Any provision which cannot be interpreted or applied in a manner which brings it into compliance with the Unit Property Act shall have no force or effect whatsoever.

IN WITNESS WHEREOF, the Declarant has caused this Code of Regulations to be executed by its principal officer and President on behalf of the Unit Owners Association, and attested to by its Secretary, this \_\_\_\_\_ day of \_\_\_\_\_, 1987.

CITY SYSTEMS, INC., Declarant

By: \_\_\_\_\_ (SEAL)

President

ATTEST:

\_\_\_\_\_  
Secretary (SEAL)

STATE OF DELAWARE     )  
                              )  
NEW CASTLE COUNTY     )     SS:

BE IT REMEMBERED, that on this \_\_\_\_\_ day of \_\_\_\_\_, A.D., 1987, personally came before me the Subscriber, a Notary Public for the State of Delaware, SELVINO CERICOLA, President, and BONNIE M. SHERR, Secretary, of CITY SYSTEMS, INC., a corporation existing under the laws of the State of Delaware, party to this Declaration known to me personally to be such, and acknowledged this Declaration to be his act and deed and the act and deed of said corporation, that the signature of the President thereto is in his own proper handwriting and the seal affixed is the common and corporate seal of said corporation, and that his act of sealing, executing, acknowledging and delivering said Declaration was duly authorized by a resolution of the Board of Directors of said corporation.

Given under my Hand and Seal of office the day and year aforesaid.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_