

BY-LAWS
OF
VACATION VILLAGE HOMEOWNERS ASSOCIATION INC.

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(e) "Common Areas" shall mean and refer to all those areas of land, including the facilities constructed thereon, described in and shown upon the Site Plan attached to and forming a part of the Declaration, devoted to the common use and enjoyment of the Members.

(f) "Member" shall mean and refer to each holder of one of the two classes of membership interests in the Association, as such interests are set forth in Article VI of these By-Laws.

(g) "Home" shall mean and refer to all units of residential housing situated upon The Properties, but not upon the Common Areas, whether they are detached, semi-detached or attached homes, townhouses, townhouses containing two rental units or apartments, and whether they are owned as single family homes, townhouses containing two rental units or rental units. The term "Home" shall also encompass the lot upon which any such unit of residential housing is constructed.

(h) "Owner" shall mean and refer to the record owner of fee simple title to any Home, including the Sponsor with respect to any unsold Home. Every Homeowner shall be treated for all purposes as a single owner for each Home held, irrespective of whether such ownership is joint, in common, or tenancy by the entirety. Where such ownership is joint, in common, or tenancy by the entirety, majority vote of such owners shall be necessary to cast any vote to which such owners are entitled.

(i) "Board" shall mean and refer to the Board of Directors of the Association, as such Board of Directors are defined in Article VIII of these By-Laws.

ARTICLE III PURPOSE

This Association is formed to own, operate, manage and control the Common Areas, as a Homeowners Association for the benefit of its Members as herein defined.

ARTICLE IV APPLICABILITY

All present and future Members, lessees, tenants, their families, guests, licensees, agents, employees and any other person or persons that shall be permitted to use the Common Areas shall be subject to these By-Laws and to the rules and regulations issued by the Association to govern the conduct of its Members.

ARTICLE V USE OF FACILITIES OCCUPANCY OF HOMES

The Common Areas shall be limited to the use of the Members and their guests. In the event that a Member shall lease or permit another to occupy his Home, however, the lessee or occupant shall, at the option of the Member, be permitted to enjoy the use of the Common Areas in lieu of and subject to the same restrictions and limitations as said Member. Any Member, lessee or occupant entitled to the use of the Association facilities may extend such privileges to members of his family residing in his household by notifying the Secretary in writing of the names of any such persons and of the relationship of such Member, lessee or occupant to such persons.

ARTICLE VI MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. The Association shall have two classes of membership interests as follows:

Class A. Members shall be all Homeowners excepting Sponsor and excepting any other person or entity which acquire title to all or a substantial portion of The Properties for the purpose of developing thereon a residential community. Class A Members shall be entitled to one vote for each Home in which they hold the interest required for membership by Section 1 of Article III of the Declaration.

Class B. The Class B Member shall be the Sponsor and its successors and assigns. The Class B membership shall be entitled to two (2) votes for each Home in which it holds the interest required for membership by Section 1 of Article III of the Declaration, provided that upon the happening of either of the following events, whichever first occurs, the Class B membership shall cease and be converted to Class A membership.

- (a) on the third anniversary date of the filing of the Declaration.
- (b) when the total votes outstanding in the Class A membership equals 111 (or 31 if the Sponsor surrenders its right to construct 160 Homes on Phase II of the Properties as provided for in the Declaration).

When a purchaser of an individual Home takes title thereto from the Sponsor, he becomes a Class A Member and the membership of Sponsor with respect to such Home shall cease. Membership shall be appurtenant to and may not be separated from ownership of any Home which is subject to assessment.

Section 2. Suspension of Membership. The rights of membership are subject to the payment of periodic assessments levied by the Board of Directors, the obligation of which assessments is imposed against each Member and becomes a lien upon the property of any Owner against which such assessments are made as provided for by Article VI of the Declaration. During any period in which a Member shall be in default in the payment of any assessment levied by the Association, the Member's right to the use of the Common Areas may be suspended by the Board of Directors until such assessment has been paid. Such rights of a Member may also be suspended, after notice and a hearing, for a period not to exceed thirty (30) days, for violation of any rules and regulations established by the Board of Directors governing the use of the Common Areas. In no event, however, shall any such suspension preclude ingress or egress by the Member or his guests to and from his Home. Following the cessation and conversion of all Class B memberships to Class A memberships, such suspension may also include any voting rights to which the Member would otherwise be entitled.

ARTICLE VII QUORUM, PROXIES AND WAIVERS

Section 1. Quorum. So many Members as shall represent at least 51% of the total authorized votes of each class of membership, present in person or represented by written proxy, shall be requisite to and shall constitute a quorum at all meetings of the Association for the transaction of business, except as otherwise provided by Statute, by the Declaration, the Certificate of Incorporation of the Association or by these By-Laws. If, however, such quorum shall not be present or represented at any meeting of the Association, the Members entitled to vote thereat, present in person or represented by written proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented and the required quorum at each subsequent meeting shall be one half of the required quorum for the preceding meeting provided that the subsequent meeting be called within 45 days following the preceding meeting. At such adjourned meeting at which a quorum

shall be present or represented, any business may be transacted which might have been transacted at the meeting originally called.

Section 2. Vote Required to Transact Business. When a quorum is present at any meeting, the vote of a majority of the Members present in person or represented by written proxy shall decide any question brought before such meeting. Any such vote shall be binding upon all Members, unless the question is one upon which, by express provision of the Statute, Declaration, Certificate of Incorporation or of these By-Laws, a different vote is required, in which case such express provisions shall govern and control the decision of such question.

Section 3. Right to Vote. Members shall be entitled to vote either in person or by proxy at any meeting of the Association. Any such proxy shall only be valid for such meeting or subsequent adjourned meetings thereof.

Section 4. Proxies. All proxies shall be in writing and shall be filed with the Secretary prior to the meeting at which the same are to be used. A notation of such proxies shall be made in the minutes of the meeting.

Section 5. Tenants and Occupants. Notwithstanding any other provisions of these By-Laws, in the event a Class A Member shall lease or permit another to occupy his Home (but see Article XV) and elects to permit the lessee or occupant to enjoy the use of the Common Areas in lieu of the Member himself, the Member may, by a writing directed and in form satisfactory to the Board of Directors of the Association, also permit the lessee or occupant to exercise his right to vote for the duration of the lease or permitted occupancy, or for a period of ten years, whichever is shorter. Upon the expiration of said period, and each successive period, the Member shall have the right to extend the lessee's or occupant's right to his vote if the aforesaid conditions are again satisfied.

Section 5. Waiver and Consent. Whenever the vote of the membership at a meeting is required or permitted by Statute or by any provision of the Declaration, Certificate of Incorporation or of these By-Laws to be taken in connection with any action of the Association, the meeting and vote of the membership may be dispensed with if all Members who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such action being taken.

Section 7. Place of Meetings. Meetings shall be held at such suitable place convenient to the Members as may be designated by the Board of Directors and designated in the notices of such meetings.

Section 8. Annual Meetings. The annual meeting of the membership of the Association shall be held on such date as is fixed by the Board of Directors. At such meeting there shall be elected by ballot of the membership a Board of Directors in accordance with the requirements of Article VIII of these By-Laws. The Members may also transact such other business as may properly come before the meeting.

Section 9. Special Meetings. It shall be the duty of the President to call a special meeting of the Association, if so directed by the Board of Directors, or upon the presentation to the Secretary of a petition signed by a majority of the Members.

Section 10. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Member and to each tenant or occupant entitled to vote pursuant to Section 5 of this Article, at least ten but not more than thirty days prior to such meeting. The mailing of a notice in the manner provided in these By-Laws shall be considered notice served.

Section 11. Order of Business. The order of business at all meetings shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Report of officers.
- (e) Report of committees.
- (f) Appointment of inspectors of election (in the event there is an election).
- (g) Election of Directors (in the event there is an election).
- (h) Unfinished business.
- (i) New business.

ARTICLE VIII BOARD OF DIRECTORS

Section 1. Number and Term. The number of Directors which shall constitute the whole Board shall not be less than three, and not more than five. An initial Board consisting of three Directors shall be designated by the Sponsor to serve until the first annual meeting of the Association. The initial Board of Directors shall consist of Nachman Kanovsky, Naomi Kanovsky and Stanley Spitzer. At the first annual meeting and at all subsequent meetings the Members shall vote for and elect five Directors to serve for one year terms and until their successors have been duly elected and qualified. Notwithstanding the foregoing, the Sponsor shall have the right to designate three Directors until the first anniversary date of the filing of the Declaration, two Directors until the second anniversary date of the filing of the Declaration and one Director so long as it owns at least one Home. The Sponsor's right of designation, however, is subject to the restriction that the Sponsor agrees to give up control of the Board of Directors the earlier of; (a) three (3) years from the filing of the Declaration or (b) closing on 111 Homes (or 30 if the Sponsor irrevocably surrenders its right to construct the 162 Homes in Phase II of the Properties).

All Directors, other than those the Sponsor shall have the right to designate, must be either Class A Members of the Association, or lessees or occupants entitled to the use of the Common Properties in lieu of the Class A Member renting or permitting them to occupy the Home in which they reside. As required by law, each Director shall be at least eighteen years of age. The size of the Board and method of electing Directors as specified herein may not be changed by an amendment to these By-Laws prior to October 1, 1986 without the approval of each class of membership.

Section 2. Cumulative Voting. In any election of Directors, each Member shall be entitled to as many votes as shall equal the number of Directors to be elected and a Member may cast all of such votes for a single Director or may distribute them among two or more Directors as he sees fit.

Section 3. Vacancy and Replacement. If the office of any Director, becomes vacant by reasons of death, resignation, retirement, disqualification, removal from office or otherwise, a majority of the remaining Directors though less than a quorum, at a special meeting of Directors duly called for this purpose, shall choose a successor, who shall hold office for the unexpired term in respect of which such vacancy occurred and until his successor is duly elected and qualified. In the event a Director designated by the Sponsor dies, resigns, retires, is removed or disqualified, however, the Sponsor shall have the right to designate another Director as his successor.

Section 4. Removal. Directors may be removed for cause by an affirmative vote of a majority of the Members. No Director may be removed for cause, however, if the votes cast against his removal would be sufficient to elect him cumulatively at an election at which the same total number of votes were cast and the entire Board were then being elected. No Director, other than a designee of the Sponsor, shall continue to serve on the Board if, during his term of office, he shall cease to be either a Member, or a lessee or occupant entitled to the use of the Common Areas in lieu of the Member renting or permitting him to occupy the Home in which he resides.

Section 5. Powers.

(a) The property and business of the Association shall be managed by its Board of Directors, which may exercise all such powers of the Association and do all such lawful acts and things as are not by Statute, Declaration, Certificate of Incorporation or by these By-Laws, directed or required to be exercised or done by the Members or Owners personally. These powers shall specifically include, but not be limited to the following items:

1. To determine and levy monthly assessments ("Association assessments") to cover the cost of operating and maintaining the Common Areas payable in advance. Subject to the qualifications set forth in the Declaration, the Board of Directors may increase the monthly assessments or vote a special assessment in excess of that amount, if required, to meet any additional necessary expenses.
2. To collect, use and expend the assessments collected to maintain, care for and preserve the Common Areas.
3. To make repairs, restore or alter any of the Homes and the Common Areas after damage or destruction by fire or other casualty or as a result of condemnation or eminent domain proceedings.
4. To open bank accounts on behalf of the Association and to designate the signatories to such bank accounts.

5. To insure and keep insured the Homes and the Common Areas in accordance with Article XII of these By-Laws.

6. To collect delinquent assessments by suit or otherwise, to abate nuisances and to enjoin or seek damages from Members for violations of the house rules or rules and regulations herein referred to.

7. To make reasonable rules and regulations and to amend the same from time to time. Such rules and regulations and amendments thereto shall be binding upon the Members when the Board has approved them in writing and delivered a copy of such rules and all amendments to each Member.

8. To employ workmen, janitors and gardeners and to purchase supplies and equipment, to enter into contracts to provide maintenance and other services and generally to have the powers of Directors in connection with the matters hereinabove set forth.

9. To bring and defend actions by or against more than one Member and pertinent to the operation of the Association.

10. To bring tax assessment review proceedings on behalf of all of the Members.

(b) The Board of Directors may, by resolution or resolutions, passed by a majority of the whole Board, designate one or more committees, each of such committees to consist of at least three (3) Directors or Members, one of whom shall be a Director, which, to the extent provided in said resolution or resolutions, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Association and may have power to sign all papers which may be required, provided the said resolution or resolutions shall specifically so provide. Such committee or committee shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Committees established by resolution of the Board of Directors shall keep regular minutes of their proceedings and shall report the same to the Board as required.

Section 6. Compensation. Directors and Officers, as such shall receive no compensation for their services.

Section 7. Meetings.

(a) The first meeting of each Board newly elected by the Members shall be held immediately upon the adjournment of the meeting at which they were elected, provided a quorum shall then be present, or as soon thereafter as may be practicable. The annual meeting of the Board of Directors shall be held at the same place as the annual meeting of Association Members and immediately after the adjournment of same, at which time the dates, places and times of regularly scheduled meetings of the Board shall be set.

(b) Regularly scheduled meetings of the Board may be held without special notice.

(c) Special meetings of the Board may be called by the President on two (2) days' notice to each Director either personally or by mail or telegram. Special meetings shall be called by the President or Secretary in a like manner and on like notice on the written request of at least two (2) Directors.

(d) At all meetings of the Board, a majority of the Directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and an act of a three-fifths or greater majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Declaration or by these By-Laws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting until a quorum shall be present.

(e) Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 8. Annual Statement. The Board of Directors shall furnish to all Members and shall present annually (within four months of the end of the fiscal year) and when called for by a vote of the Members at any special meeting of the Members, a full and clear statement of the business conditions and affairs of the Association, including a balance sheet and profit and loss statement verified by an independent public accountant and a statement regarding any taxable income attributable to the Members and a notice of the holding of the annual meeting of the Association Members.

Section 9. Fidelity Bonds. Unless all Association funds are handled solely by an independent managing agent, the Board of Directors shall require that all officers and employees of the Association handling or responsible for such funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be an expense of the Association.

Section 10. Managing Agent. The Board of Directors may employ for the Association a managing agent under a term contract or otherwise at a compensation established by the Board, to perform such duties and services as the Board shall authorize, including but not limited to all of the delegable duties of the Board listed in this Article.

ARTICLE IX OFFICERS

Section 1. Elective Officers. The officers of the Association shall be chosen by the Board of Directors and shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may also choose one or more Assistant Secretaries and Assistant Treasurers and such other officers as in their judgment may be necessary. All officers must be either members of the Board of Directors, Members of the Association, or lessees or occupants entitled to the use of the Common Areas in lieu of the Member renting or permitting them to occupy the Home in which they reside. Two or more offices may not be held by the same person.

Section 2. Election. The Board of Directors, at its first meeting after each annual meeting of Association Members, shall elect a President, a Vice-President, a Secretary and a Treasurer.

Section 3. Appointive Offices. The Board may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 4. Term. The officers shall hold office for the term to which they are elected and appointed and until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors may be removed with or without cause, at any time, by the affirmative vote of a majority of the whole Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

Section 5. The President. The President shall be the chief executive officer of the Association; he shall preside at all meetings of the Association Members and the Board of Directors, shall be an ex-officio member of all standing committees, shall have general and active management of the business of the Association, shall see that all orders and resolutions of the Board are carried into effect and shall have such other powers and duties as are usually vested in the office of President of a corporation organized under the Not-For-Profit Corporation Law of the State of New York.

Section 6. The Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act and shall have such other powers and duties as are usually vested in the office of Vice President of a corporation organized under the Not-For-Profit Corporation Law of the State of New York.

Section 7. The Secretary. The Secretary and/or Assistant Secretary shall attend all sessions of the Board and all meetings of Association members and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of Association Members and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or by the President, under whose supervision he shall be.

Section 8. The Treasurer. The Treasurer shall have the custody of the Association funds and securities and shall keep full and accurate chronological accounts of receipts and disbursements in books belonging to the Association including the vouchers for such disbursements, and shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors.

He shall disburse the funds of the Association as he may be ordered by the Board, making proper vouchers for such disbursements and shall render to the President and Directors, at the regular meeting of the Board or whenever they may require it, an account of all his transactions as treasurer and of the financial condition of the Association.

He shall keep detailed financial records and books of account of the Association, including a separate account for each Member, which, among other things, shall contain the amount of each assessment, the date when due, the amounts thereon and the balance remaining unpaid.

Section 9. Agreements, etc. All agreements and other instruments shall be executed by the President or such other person as may be designated by the Board of Directors.

ARTICLE X NOTICES

Section 1. Definition. Whenever under the provisions of the Declaration or of these By-Laws, notice is required to be given to the Board of Directors or to any Director or Association Member, it shall not be construed to mean personal notice; but such notice may be given in writing, by mail, by depositing the same in a post office or letter box in a postpaid sealed wrapper, addressed to the Board of Directors, such Director or Member at such address as appears on the books of the Association.

Section 2. Service of Notice-Waiver. Whenever any notice is required to be given under the provisions of the Declaration, or of these By-Laws, a waiver thereof, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent thereof.

ARTICLE XI ASSESSMENTS AND FINANCES

Section 1. Creation of the Lien and Personal Obligation of Assessments. The creation of the lien and personal obligation of assessments is governed by Section 2 of Article VI of the Declaration.

Section 2. Purpose of Assessments. The purpose of assessments is as specified in Section 2 of Article VI of the Declaration.

Section 3. Basis of Assessments. The basis of the assessments is as specified in Section 3 of Article VI of the Declaration.

Section 4. Date of Commencement of Assessments: Due Dates. The date of commencement and the due dates of assessments are as specified in Section 3 of Article VI of the Declaration.

Section 5. Effect of Non-Payment of Assessment; Remedies of the Association. The effect of non-payment of assessments and the remedies of the Association shall be as specified in Section 9 of Article VI of the Declaration.

Section 6. Subordination of Lien to Mortgages. The line of the assessments provided for herein shall be subordinated pursuant to the provisions of Section 9 of Article VI of the Declaration. For purposes of such provision an "institutional first mortgage" shall mean a first mortgage granted by a federal or state savings and loan association, savings or commercial banks, life insurance company, union pension fund, trust company, agency of the United States Government or of the State of New York, or other similar institutional lender or a purchase money mortgage granted by the Sponsor.

Section 7. Rights of First Mortgagees. First Mortgagees of Homes may be permitted to pay taxes or other charges which are in default and which may or have become a charge against any common property and may pay overdue premiums upon the lapse of a policy for such common property. First Mortgagees making such payments shall be owed immediate reimbursement from the Association. First Mortgagees shall be given written notification from the Association of any default in the performance of any individual unit owner of any obligation under the Association Offering Plan, Declaration, By-Laws and Regulations which is not cured within 60 days.

Section 8. Checks. All checks or demands for money and notes of the Association shall be signed by the President and Treasurer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 9. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account", into which shall be deposited the operating portion of all monthly and special assessments as fixed and determined for all members. Disbursements from said account shall be for the general needs of the operation including, but not limited to wages, repairs, betterments, maintenance and other operating expenses of the community and recreational facilities.

Section 10. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purpose.

ARTICLE XII INSURANCE

Section 1. Coverage. To the extent available, the Board of Directors shall obtain and maintain insurance coverage as set forth in Sections 2, 3 and 4 hereof. All insurance affecting The Properties shall be governed by the provisions of this Article. Premiums for all such insurance obtained by the Board of Directors shall be paid for by the Association.

Section 2. Physical Damage. All buildings and improvements (as defined in Subsection (e) hereof), and all of the personal property owned by the Association, the Owners and mortgagees of Homes as their interests may appear, against risks of physical damage as follows:

(a) Amounts. As to real property, for an amount equal to not less than one hundred (100%) percent of its replacement cost; as to personal property, for an amount equal to its actual cash value. Prior to obtaining any insurance on real property under this Section, and at least bi-annually thereafter, the Board of Directors shall obtain an appraisal from a qualified appraiser for the purpose of determining the replacement cost of such real property.

(b) Risks. the insurance shall afford protection against loss or damage by reason of:

1. Fire and other perils normally covered by extended coverage;
2. Vandalism and malicious mischief;

3. Such other risk of physical damage as from time to time may be customarily covered with respect to buildings and improvements similar in construction, location and use as those on The Properties including, without limitation, builder's risk coverage for improvements under construction; and
4. Such other risks of physical damage as the Board of Directors may from time to time deem appropriate.

(c) Other Provisions. The insurance shall include without limitation, the following provisions:

1. Waivers by the insurer of rights of subrogation, other than those based on fraud or criminal acts, against the Association and the Owners;
2. That the insurance shall not be affected or diminished by reason of any other insurance carried by any Owner or mortgagee of a Home;
3. That the insurance shall not be affected or diminished by any act or neglect of any Owner or any occupants or owners of any improvements when such act or neglect is not within the control of the Association;
4. That the insurance shall not be affected or diminished by failure of any Owner or any occupants or owners of any improvements to comply with any warranty or condition when such failure to comply is not within the control of the Association;
5. Such deductible as to loss, but not co-insurance features, as the Board of Directors in its sole judgment deems prudent and economical;
6. That the insurance may not be cancelled or substantively modified (except for the addition of property or increase in amount of coverage) without at least thirty (30) days prior written notice to the named insured, and to all mortgagees of Homes;

7. Provisions for identification of mortgagees of Homes and for the allocation of their several interests to specific Homes;

8. The standard mortgage clause, except that any loss otherwise payable to named mortgagees shall be payable in the manner set forth in subsection 10 hereof;

9. Adjustment of loss shall be made with the Board of Directors or Manager;

10. Proceeds for losses shall be payable to the Trustee; and

11. The named insured shall be the Association.

(d) Evidence of Insurance. Certificates of insurance signed by an agent of the insurer together with copies of all endorsements thereto and proof of payment of premium, shall be delivered to all mortgagees of Homes at the times such policies are issued, and at least ten (10) days prior to the expiration of any then-current policies, if requested by any mortgagee.

(e) Definition. As used in this Section, the term "all buildings and improvements" shall also include, without limitation, all Common Areas and personal property of the Association, and the standard partition walls, fixtures and installations initially installed by the Sponsor, as shown on the copy of the engineering and architectural plans and specifications on file in the office of the Building Inspector, as from time to time amended, and replacements thereof; and may exclude fixtures, alterations, installations or additions situated in and about a Home used exclusively by an Owner and made or acquired at the expense of an Owner and the Homes to which the Association has conveyed title.

Section 3. Liability Insurance. The Board of Directors shall obtain and maintain public liability insurance for bodily injury and proper damage on and to The Properties in such limits as the Board of Directors may from time to time determine, insuring the Association, the Board of Directors, the Manager (at the discretion of the Board of Directors), and each member with respect to his liability arising from membership in the Association or ownership, maintenance or repair of The Properties which is the responsibility of the Association, including, without limitation, liability arising from construction operations. Such liability insurance shall also cover cross-liability claims among insureds and the Association. The Board of Directors shall review such limits

at least annually. The insurance provided under this Section shall include, without limitation, the following provisions:

(a) That the insurance shall not be affected or diminished by any act or neglect of any Member or any occupants or Owners of any improvements when such act or neglect is not within the control of the Association;

(b) That the insurance shall not be affected or diminished by failure of any Member or any occupants or owners of any improvements to comply with any warranty or condition when such failure to comply is not within the control of the Association; and

(c) Waives by the insurer of rights of subrogation, other than those based on fraud or criminal acts against the Association and the Members.

Section 4. Workmen's Compensation Insurance. To the extent obtainable, the Board of Directors shall obtain and maintain adequate Workmen's Compensation Insurance.

Section 5. Other Insurance. The Board of Directors is authorized to obtain and maintain such other insurance as it may from time to time deem appropriate.

ARTICLE XIII DAMAGE TO OR DESTRUCTION OF THE PROPERTIES

Section 1. Duty to Repair or Restore. Any portion of The Properties, including the Homes, damaged or destroyed shall be repaired or restored promptly by the Association, except as provided in Sections 5 and 7 of this Article.

Section 2. Estimate of Cost. Promptly after damage to or destruction of The Properties, and thereafter as it deems advisable, the Board of Directors shall obtain reliable and detailed estimates of the cost of repair or restoration. The Board of Directors may retain the services of an architect to assist in the determination of such estimates and in supervision of repair and restoration.

Section 3. Collection of Construction Funds. Construction funds may consist of insurance proceeds, condemnation awards, proceeds of assessments against Members, payments by Owners for damage to or destruction of Homes, and other funds received on account of or arising out of injury or damage to the Property.

(a) Insurance and Condemnation Proceeds. To the extent that damage or destruction to The Properties is covered by insurance of the Association or by a condemnation award not specifically allocated to one or more Owners, the proceeds of such insurance or award shall be made available for repair or restoration. The Board of Directors or Manager shall adjust losses under physical damage insurance policies of the Association. Such losses shall be payable to the Trustee.

(b) Assessments against Members. If the insurance proceeds and condemnation awards are insufficient to effect the necessary repair or restoration of the Common Areas, such deficiency shall be charged as a special assessment against all Members. The proceeds of any such assessment shall be paid by the Board of Directors to the Trustee.

(c) Assessments of Owners. If there is damage or destruction of a Home or Homes or if there is damage or destruction of Common Areas and a Home or Homes and the insurance proceeds and condemnation awards received by the Association are insufficient to effect the necessary repair and restoration thereof, the Association may levy a special assessment against each Member and each Member shall pay such Assessment to the Board of Directors on the date specified in the resolution authorizing the same, which special Assessment shall be paid by the Board of Directors to the Trustee.

(d) Payments by Others. Any other funds received on account of or arising out of injury or damage to The Properties shall be paid by the Board of Directors to the Trustee.

Section 4. Plans and Specifications. Any repair or restoration must be either substantially in accordance with the architectural and engineering plans and specifications for the original buildings or according to plans and specifications approved by the Board of Directors and by a majority of the Members entitled to vote and the holders of first mortgages encumbering fifty (50%) percent of the Homes subject to mortgages, and if the damaged property includes Homes, by ninety (90%) percent of the Owners thereof. Repair or restoration of Homes shall include improvements and fixtures installed by an Owner thereon provided such Owner shall have paid to the Association a sum sufficient to repair or restore the same.

Section 5. Owner's Rights and Obligations.

(a) Owners are solely responsible for damage or destruction of their Homes. The Association is not responsible to insure the Homes of its Owners.

(b) Notwithstanding the provisions of this Article XIII, if there is damage or destruction of a Home which does not exceed \$5,000, the Owner, with the prior written consent of the Board of Directors, may perform the repairs and reconstruction thereof at such Owner's sole cost and expense.

(c) If there is any damage to household and personal property owned by an Owner, or fixtures, alterations, installations or additions comprising a part of a Home made or acquired at the expense of the Owner thereof, then such Owner shall be responsible for insuring the same for their reconstruction and repair after casualty.

Section 6. Disbursement of Construction Funds. The Trustees shall deduct from the construction funds its actual costs, expenses and agreed fee for the performance of its duties, and shall disburse the balance in the following manner:

(a) Damage or Destruction not Exceeding \$50,000. In the event of damage or destruction of the Common Areas, not exceeding \$50,000.00, and upon receipt of certification of such fact from the Board of Directors, the Trustee shall deliver such balance to the Board of Directors, and the Board of Directors shall thereupon administer said balance in the same manner as required of the Trustee by this Article.

(b) Damage or Destruction Exceeding \$50,000. In the event of damage or destruction of the Common Areas exceeding \$50,000, the Trustee shall apply such balance to pay directly, and to reimburse the Association for the payment for, the costs of repair or restoration of the Common Areas, including the cost of temporary repairs for the protection of the Common Areas pending the completion of permanent repairs and restoration, upon request of the Association in accordance with Subsection 8(a) of this Article, and, if an architect has been retained by the Board of Directors, upon presentation of an architect's certificate stating that the work represented by any such payment has been completed satisfactorily.

(c) Surplus Funds. If, after payment of all repairs and restorations, there remains any surplus fund, such fund shall be paid to Members in proportion to their contributions resulting from assessments levied against them pursuant to Section 3(b) and (c) of this Article; provided, however, that no Member shall receive a sum greater than that actually contributed by him. Any surplus remaining after such payments shall be paid to the Association and shall be part of its general income.

Section 7. Determination not to Repair or Restore. If there is substantially total destruction of all of the improvements on The Properties, and seventy-five (75%) percent of the Owners eligible to vote elect not to proceed with repair or restoration, any balance of construction funds shall be disbursed and distributed to the Owners in accordance with the diminution in the fair market value of their respective Homes resulting from such destruction, which diminution, unless otherwise agreed, shall be determined by arbitration. Any balance thereafter shall be disbursed and distributed equally among the Members. In the event of dispute as to the fact of substantial total destruction, that issue shall be submitted to arbitration in accordance with the rules of the American Arbitration Association.

Section 8. Certificates. The Trustee may rely on the following certifications:

(a) By the Board of Directors. The Board of Directors shall certify to the Trustee in writing as to the following matters:

1. Whether or not damaged or destroyed property is to be repaired or restored.

2. Whether or not, in the opinion of the Board of Directors, the cost of repair or restoration may exceed \$50,000.00.

3. The amount or amounts to be paid for repairs or restoration and the name and addresses of the parties to whom such amounts are to be paid.

(b) By Attorneys. The Board of Directors shall furnish the Trustee, in the event that any payments are to be made to an Owner or mortgagee, with an Attorney's Certificate based upon an examination of the Land Records from the date of the recording of the original Declaration, stating the name of the Owner and the mortgagees.

Section 9. Trustee. The Board of Directors shall enter into and keep in force a trust agreement with a bank in the State of New York with trust powers to receive, administer and disburse funds pursuant to Articles XII and XIII. Such trust agreement shall incorporate the Declaration and By-Laws by reference and shall provide that upon termination thereof, all monies or funds held by the Trustee shall be turned over only to a successor trustee which shall also be a bank in the State of New York with trust powers. No amendments of Article XII or this Article XIII or of the provisions of the Declaration or By-Laws specifically referred to therein shall be binding on the Trustee until the Trustee receives notice of such amendment.

ARTICLE XIV AMENDMENTS

Except as otherwise specifically provided, these By-Laws may be altered, amended or added to at any duly called meeting of Association Members, provided: (1) that the notice of the meeting shall contain a full statement of the proposed amendment; (2) that the amendment shall be approved by vote of eighty percent (80%) of a quorum of Members present in person or proxy; and (3) that any matter stated herein to be or which is in fact governed by the Declaration applicable to The Properties may not be amended except as provided in said Declaration. No amendment, however, shall affect or impair the validity or priority of the Members' interests and the interests of holders of a mortgage encumbering a Member's Home. All amendments hereto shall be recorded in the Sullivan County Clerk's Office but failure to record any such amendment shall not affect its validity, application or enforceability as to any Member or mortgagee who was a member or mortgagee on the date of the adoption of such amendment, provided such Member or mortgagee received proper notice of said meeting containing a full statement of the proposed amendment. The Board of Directors shall promptly give notice to the Trustee of any amendment to any provision of the Declaration and By-Laws.

ARTICLE XV SELLING, LEASING AND MORTGAGE OF HOMES

Section 1. Selling and Leasing Homes. No Homeowner other than Sponsor or its designee may sell his Home or lease his Home without complying with the following provisions:

(a) Any Homeowner who receives a bona fide offer to (i) purchase his Home or (ii) lease his Home (such offer to purchase or lease a Home, as the case may be, is called an "Outside Offer", the party making any Outside Offer is called an "Outside Offeror" and the Homeowner to whom the Outside Offer is made is called an "Offeree Homeowner"), which he intends to accept shall give notice by certified or registered mail to the Board of the receipt of such Outside Offer.)

Said notice shall also state the name and address of the Outside Offeror, the terms of the proposed transaction and such other information as the Board may reasonably require. The giving of such notice to the Board shall constitute and offer by such Homeowner to sell his Home together with its appurtenant shares in the Association or to lease his Home to the Board, or its designee, corporate or otherwise, on behalf of all other Homeowners, upon the same terms and conditions as contained in such Outside Offer and shall also constitute a representation and warranty by the Homeowner who has received such Outside Offer, to the Board on behalf of all Homeowners, that such Homeowner believes the Outside Offer to be bona fide in all respects. The Offeree Homeowner shall submit in writing such further information with respect thereto as the Board may reasonably request. Not later than thirty (30) days after receipt of such notice together with such further information as may have been requested, the Board may elect, by sending written notice to such Offeree Homeowner before the expiration of said thirty (30) day period, by certified or registered mail, to purchase or lease such Home together with its appurtenant shares, as the case may be (or to cause the same to be purchased or leased by its designee, corporate or otherwise), on behalf of the Association, upon the same terms and conditions as contained in the Outside Offer and as stated in the notice from the Offeree Homeowner.

(b) If the Board shall timely elect to purchase or lease such Home together with its appurtenant shares, or to cause the same to be purchased or leased by its designee, corporate or otherwise, title shall close or a lease shall be executed at the office of the attorneys for the Board, in

accordance with the terms of the Outside Offer, within forty-five (45) days after the giving of notice by the Board of its election to accept such offer. If, pursuant to such Outside Offer to purchase said Home, the Outside Offeror was to assume or take title to the Home subject to the Offeree Homeowner's existing mortgage or mortgages, the Board may purchase the Home and assume or take title to the Home subject to said existing mortgage or mortgages, as the case may be. At the closing, the Offeree Homeowner, if such Home together with its appurtenant shares is to be sold, shall convey the same to the Board, or to its designee, on behalf of all other Homeowners, by deed in the form required by the Real Property Law of the State of New York, with all tax and/or documentary stamps affixed at the expense of such Homeowner, who shall also pay all other taxes arising out of such sale. Real estate taxes (including water charges and sewer rents whether or not separately assessed), mortgage interest, if any, and Association Assessments shall be apportioned between the Offeree Homeowner and the Board, or its designee, corporate or otherwise, as of the closing date. If such Home is to be leased, the Offeree Homeowner shall execute and deliver to the Board, or to its designee, corporate or otherwise, as tenant, covering such Home for the rental and term contained in such Outside Offer.

(c) If the Board or its designee shall fail to accept such offer within thirty (30) days after receipt of notice, as aforesaid, and the Offeree Homeowner does not, within such ninety (90) day period, accept in writing the Outside Offer or if the Offeree Homeowner shall accept the Outside Offer and fail to close the title to such Home within thirty (30) days following the expiration of such ninety (90) day period, then, should such Offeree Homeowner thereafter elect to sell or lease such Home together with its appurtenant shares, as the case may be, the Offeree Homeowner shall be required to again comply with all the terms and provisions of this Section 1.

(d) Any lease executed in connection with the acceptance of any Outside Offer to lease a Home shall be consistent with these By-Laws and shall provide that it may not be modified, amended, extended or assigned without the prior consent in writing of the Board, that the tenant shall not assign his interest in such lease or sublet the demised premises or any part thereof without the prior consent in writing of the Board and that the Board shall have power to terminate such lease and/or to bring summary proceedings to evict the tenant in the name of the landlord thereunder, in

the event of (i) a default by the tenant in the performance of his obligations under such lease or (ii) a foreclosure of the lien granted by the Declaration and these By-Laws.

(e) Except as hereinbefore set forth, the form of any such lease executed by the Board or an Outside Offeror shall be the then current form of apartment lease recommended by the Apartment Council of the Home Builders Association of Central New York, Inc., and shall contain such modifications as shall be approved in writing by the Board. Any lease executed by the Board as tenants shall provide that the Board may enter into a sublease of the premises without the consent of the landlord.

(f) Any purported sale or lease of a Home in violation of this Section 1 shall be voidable at the election of the Board, and if the Board shall so elect, the Homeowner shall be deemed to have authorized and empowered the Board to institute legal proceedings to evict the purported tenant (in case of an unauthorized leasing), in the name of the said Homeowner as the purported landlord. Such Homeowner shall reimburse the Board for all expenses (including attorneys' fees and disbursements) incurred in connection with such proceedings.

(g) The foregoing restrictions of this Section 1 shall not apply to Unsold Homes. Sponsor or its designee shall have the right freely to sell Unsold Homes or freely to lease all or any part thereof without first having to offer the same for sale or lease to the Board.

Section 2. Consent of Homeowners to Purchase or Lease of Homes by Board. The Board shall not exercise any option hereinabove set forth to purchase any Home or lease any Home without the prior approval of a Majority of Homeowners.

Section 3. Release by Board of Right of First Refusal. The right of first refusal contained in Section 1 may be released or waived by the Board only in the manner provided in Section 4. In the event the Board shall release or waive its right of first refusal as to any Home, such Home together with its appurtenant shares may be sold, conveyed or leased, free and clear of the provisions of Section 1.

Section 4. Certificate of Termination of Right of First Refusal. A certificate executed and acknowledged by the Secretary or Assistant Secretary of the Association stating either that the provisions of Section 1 have been met by a Homeowner or that the right of first refusal contained

therein has been duly released or waived by the Board, and that as a result thereof the rights of the Board thereunder have terminated, shall be conclusive upon the Board and the Homeowners in favor of all persons who rely on such certificate in good faith. The Board shall furnish, without charge, such certificate upon request to any Homeowner in respect to whom the provisions of Section 1 have in fact, terminated.

Section 5. Financing of Purchase of Homes by Board. The purchase of any Home by the Board or its designee, on behalf of all Homeowners, may be made from the funds deposited in the capital and/or expense accounts of the Board. If the funds in such accounts are insufficient to effectuate any such purchase, the Board may levy an assessment against each Homeowner, equal in proportion as an Association Assessment, and/or the Board, may, in its discretion, finance the acquisition of such Home, provided, however, that no such financing may be secured by an encumbrance or hypothecation of any portion of the Property other than the Home to be purchased together with its appurtenant shares.

Section 6. Exceptions. The provisions of Section 1 shall not apply with respect to any lease, sale or conveyance of any Home together with its appurtenant shares by (a) the Home Owner thereof, (b) Sponsor or its designee with respect to Unsold Homes, (c) the Board, (d) any proper officer conducting the sale of a Home in connection with the foreclosure of a mortgage or other lien covering such Home or delivering a deed in lieu of such foreclosure, or (e) a Permitted Mortgagee or his nominee, who has acquired title to any Home at any foreclosure sale of Permitted Mortgagee or by deed in lieu thereof delivered in a bona fide transaction; provided, however, that each succeeding Home Owner, shall be bound by, and his Home subject to, the provisions of this Article XV.

Section 7. Gifts and Devises, etc. Any Homeowner shall be free to convey or transfer his Home by gift, or may devise his Home by will or have his Home pass by intestacy, without restriction, provided, however, that each succeeding Owner shall be bound by, and his Home subject to, the provisions of this Article XV.

Section 8. Payment of Assessments. No Homeowner shall be permitted to convey, mortgage, pledge, hypothecate or lease his Home unless and until he shall have paid in full to the Board all unpaid Association Assessments theretofore

assessed against such Home and until such Homeowner shall have satisfied all unpaid liens against his Home other than permitted mortgages.

Section 9. Mortgage of Units. Subject to Section 8, each Homeowner shall have the right to mortgage his Unit without restriction, provided that any such mortgage covering a Home shall be substantially in the form of the New York statutory form of mortgage, except for such changes or additions as may be required in order to permit a particular bank, trust company, insurance company, savings and loan association or institutional or noninstitutional lender to make the mortgage loan, and provided that the Board is notified in writing of the making of such mortgage.

ARTICLE XVI GENERAL PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Association shall be fixed by resolution of the Board of Directors.

Section 2. Seal. The Association seal shall have inscribed thereon the name of the Association and the year of its incorporation under the laws of the State of New York. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

Section 3. Architectural Control. No building, fence, wall or other structure, or change in landscaping, shall be commenced, erected or maintained upon The Properties, nor shall any exterior addition to or change or alteration thereto be made until the plans and specifications showing the nature, kind, shape, height, materials, color and locations of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee composed of three or more representatives appointed by the Board.

Section 4. Examination of Books and Records. Each Member, or their respective representatives, shall be entitled to a reasonable examination of the books and records of the Association at any time upon reasonable notice to its Board of Directors. Such examination shall be conducted, at the discretion of the Board of Directors, at the principal office of the Association or at the office of the Board's duly designated management agent. The Declaration, Certificate of Incorporation and the By-Laws of the Association shall be available for inspection by any Member at the principal office of the Association.

Section 5. Construction. Whenever the masculine singular form of the pronoun is used in these By-Laws, it shall be construed to mean the masculine, feminine or neuter, singular or plural; whenever the context so requires. In the case of any conflict between the Certificate of Incorporation and these By-Laws, the Certificate shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

Section 6. Severability. Should any of the covenants, terms or provisions herein imposed be void or be or become unenforceable at law or in equity, the remaining provisions of these By-Laws shall, nevertheless, be and remain in full force and effect.