

BY-LAWS
OF
CINNAMINSON HARBOUR VILLA HOMES
CONDOMINIUM ASSOCIATION, INC.

ARTICLE I
NATURE OF BY-LAWS

1.01. Purpose. These By-Laws are intended to govern the administration of Cinnaminson Harbour Villa Homes Condominium Association, Inc. (the "Villa Homes Condominium Association"), a non-profit corporation organized under Title 15A of the New Jersey Statutes Annotated, and to provide for the management, administration, utilization and maintenance of the Common Elements described in the Master Deed for Cinnaminson Harbour Villa Homes Condominium (the "Villa Homes Condominium"), and any amendments or supplements thereto.

1.02. Definitions. Unless the context clearly indicates otherwise, all definitions set forth in the aforesaid Master Deed or in N.J.S.A. 46:8B-3 are incorporated herein by reference.

1.03. Fiscal Year. The fiscal year of the corporation shall be determined by the Board of Directors.

1.04. Principal Office. The principal office of the corporation is located at 433 River Road, Highland Park, New Jersey 08904, or such other location as may be determined by the Board of Directors.

ARTICLE II
MEMBERSHIP AND VOTING RIGHTS

2.01. Members. Every person, firm, association, corporation or other legal entity who is a record Owner or Co-Owner of the fee simple title to any Villa Home in the Villa Homes

Condominium shall be a Member of the Villa Homes Condominium Association; provided, however, that any person, firm, association, corporation, or legal entity who holds such title or interest merely as a security for the performance of an obligation (including, but not limited to, mortgagees or trustees under deeds of trust) shall not be a Member of the Villa Homes Condominium Association. In addition, the Developer has one membership in the Villa Homes Condominium Association for each Villa Home, completed or prospective, that has not been conveyed to an individual purchaser, as contemplated by Section 5.05 of the Master Deed.

2.02. Associate Members. Every person who is entitled to possession and occupancy of a Villa Home as a tenant or lessee of an Owner may be an Associate Member of the Villa Homes Condominium Association, but shall not be entitled to any vote with respect to Villa Homes Condominium Association matters.

2.03. Change of Membership. Change of membership shall be accomplished by recording in the Burlington County Clerk's Office a deed or other instrument establishing a record title to a Villa Home, and delivery to the Secretary of the Villa Homes Condominium Association of a certified copy of such instrument and such sums of money as are required by the Villa Homes Condominium Association for the payment of any capital contributions and escrow deposits. The membership of the prior Owner shall be thereby terminated.

2.04. Rights of Membership. Every person who is entitled to membership in the Villa Homes Condominium Association, pursuant to the provisions of the Certificate of Incorporation and these By-Laws, shall be privileged to use and enjoy the Common Elements of the Villa Homes Condominium subject, however, to the right of the Villa Homes Condominium Association to:

- (a) Promulgate rules and regulations governing such use and enjoyment;

- (b) Suspend the use and enjoyment of the Common Elements as provided in Section 2.05 hereof; and
- (c) Dedicate or transfer all or part of the Common Elements, other than any Building in which any Villa Homes are contained, as provided in Section 5.01(n) hereof.

2.05. Suspension of Rights. The membership and voting rights of any Member may be suspended by the Board for any period during which any assessment, or installment thereof, against the Villa Home to which his membership is appurtenant remains unpaid; but upon payment of any such assessment or installment, and any interest accrued thereon, and the amount due as counsel fees, if any, pursuant to Section 6.10 hereof, whether by check or cash, his rights and privileges shall be immediately and automatically restored subject to the provisions of Section 3.11 hereof. Further, if rules and regulations governing the use of the Common Elements and the conduct of persons thereon have been adopted and published, as authorized herein, the rights and privileges of any person in violation thereof may be suspended at the discretion of the Board for a period not to exceed thirty (30) days for any single violation, but if the violation is of a continuing nature, such rights and privileges may be suspended indefinitely until such time as the violation is abated. No such action shall be taken by the Board until the Owner is afforded an opportunity for a hearing consistent with the principles of due process of law.

2.06. Contribution to Capital. The Board shall impose upon each Owner, upon acquisition of title to his Villa Home, a contribution to the Villa Homes Condominium Association in an amount equal to one-sixth (1/6) of the current Annual Common Expense Assessment for his Villa Home, which fee may be used for working capital or any other lawful

purpose and need not be replenished if it is so utilized. The payment of such contribution shall be a condition precedent to membership in the Villa Homes Condominium Association and shall apply to all subsequent Owners, as well as those who acquire title from the Developer. Any unpaid contribution shall be deemed a lien on the Villa Home in the same manner as any unpaid Common Expenses attributable to such Villa Home.

2.07. Escrow Deposit. The Board may also require each Owner to deposit with the Villa Homes Condominium Association in escrow an amount not to exceed two (2) months of the current estimated Annual Common Expense Assessment for his Villa Home, which escrow deposit shall be held by the Villa Homes Condominium Association and applied in the event of a default by the Owner in the payment of any type of Assessment, fine or other charge levied by the Board against his Villa Home. To the extent that the escrow deposit or any part thereof is so applied, the Owner shall be responsible for replenishing the escrow deposit. Such escrow, if imposed, shall be held by the Villa Homes Condominium Association in an interest-bearing account, with interest to accrue to the benefit of the Villa Homes Condominium Association, and shall be assignable (but not refundable) upon the sale of the Villa Home without interest to the extent the deposit is not applied to defaulted Common Expense Assessments.

2.08. Votes. Each Owner shall be entitled to such vote(s) for each Villa Home to which he holds title as is provided in Article V of the Master Deed. When more than one person holds title, the vote(s) for each Villa Home shall be exercised as the Co-Owners among themselves determine. When one or more Co-Owners sign a proxy or purports to vote for his or her Co-Owners, such vote(s) shall be counted unless one or more of the other Co-Owners is present and objects to such vote(s); or, if not present, submits a proxy or objects in writing delivered to the

Secretary of the Villa Homes Condominium Association before the vote(s) is counted. If Co-Owners disagree as to the vote(s), the vote(s) shall be split equally among the Co-Owners.

Initially, the Developer has two hundred nine (209) memberships in the Villa Homes Condominium Association, representing one membership for each Villa Home or potential Villa Home to which title has not been conveyed. Upon conveyance of a title to a Villa Home, each purchaser automatically becomes a member of the Villa Homes Condominium Association and shall be entitled to one vote for each Villa Home purchased. The number of votes held by the Developer shall be reduced accordingly. Developer's votes shall be cast by such person as it may from time to time designate. Votes not held by the Developer shall be cast in person or by proxy, as otherwise provided herein. It is understood that in the event that the number of Villa Homes ultimately established in the Villa Homes Condominium is less than two hundred nine (209), then the number of votes in the Villa Homes Condominium shall be equal to the number of Villa Homes ultimately established.

ARTICLE III

MEETINGS OF OWNERS

3.01. Place of Meetings. All meetings of the Owners of the Villa Homes Condominium Association shall be held at the Villa Homes Condominium or at such other place convenient to the Members as may be designated by the Board.

3.02. First Annual Meeting and Regular Annual Meetings. All annual meetings of the Owners of the Villa Homes Condominium Association shall be held on the day and month of the year to be established by the Board, except that the first such annual meeting shall be held (i) not later than sixty (60) days after the date on which twenty-five (25%) percent of the Villa Homes have been conveyed by the Developer to Members, but in no event later than thirteen (13)

months following the incorporation of the Villa Homes Condominium Association; or (ii) on such earlier date as the Developer in its sole discretion may choose. At the first annual meeting and each subsequent annual meeting, the election of Directors shall take place. If the election of Directors shall not be held at the annual meeting or any adjournment of such meeting, the Board shall cause the election to be held at a special meeting as soon thereafter as may be convenient. At such special meeting, the Owners may elect the Directors and transact other business with the same force and effect as at an annual meeting duly called and held. All proxies validly received for the originally scheduled meeting shall remain in full force and effect for any such adjourned meeting or special meeting and new proxies may be received for any such subsequent meeting.

3.03. Special Meetings. After the first annual meeting, special meetings of Owners may be called by the President whenever he deems such a meeting advisable, or shall be called by the Secretary upon the order of the Board or upon the written request of Members representing not less than twenty-five (25%) percent of all the votes entitled to be cast at such meeting. Such request shall state the purpose(s) of such meeting and the matter(s) proposed to be acted upon. Unless Owners representing at least fifty (50%) percent of all votes entitled to be cast request such a meeting, no special meeting may be called to consider any matter which is substantially the same as a matter voted upon at any meeting of the Owners held during the preceding twelve (12) months, which determination shall be made in the sole and absolute discretion of the Board.

3.04. Notice of Meeting. Except as otherwise provided by N.J.S.A. 46:8B-12.1b and Section 4.07 hereof, notice of each meeting of Members, whether annual or special, shall be given not less than ten (10) calendar days, nor more than sixty (60) calendar days, before the day on which the meeting is to be held, to each Owner at his last known address, by delivering a

written or printed notice thereof to said Owner, or by mailing such notice, postage prepaid. Every such notice shall state the date, time, place and purpose(s) of the meeting. Notice of any meeting of Owners shall not be required to have been sent to any Owners who shall attend such meeting in person or by proxy. Notice of any adjourned meeting of the Owners shall not be required to be given unless the time and place to which the meeting is adjourned is not announced at the adjourned meeting. Except where otherwise expressly required by law, no publication of any notice of a meeting of Owners shall be required.

3.05. Quorum and Adjourned Meetings. At each meeting of the Owners, persons holding twenty-five (25%) percent of the authorized votes (including any held by Developer) present in person, by proxy or by mail ballot shall constitute a quorum for the transaction of business at a meeting of the membership except where otherwise provided by law. In the absence of a quorum, a majority of the votes present in person or by proxy may adjourn the meeting from time to time, until a quorum shall be present or represented. At any such adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted at the meeting originally called.

3.06. Organization. At each meeting of the Villa Homes Condominium Association, the President, or, in the absence of the President, the Vice President, or in the absence of both of them, a person chosen by a majority vote of the Members in Good Standing present in person or represented by proxy, shall act as a chairperson, and the Secretary, or in the absence of the Secretary, a person whom the chairperson shall appoint, shall act as Secretary of the meeting.

3.07. Voting on Questions. Only Owners who hold memberships in good standing on the record date, which shall be at least thirty (30) days prior to the meeting at which the vote is to be taken, shall be entitled to vote on questions. As provided in Section 5.03 of the Master Deed,

each Owner shall be entitled to one (1) unweighted vote for each Villa Home to which he holds title with respect to all questions voted upon by the membership. A majority of votes present, in person or by proxy, at any duly constituted meeting of the Membership shall be sufficient for approval of those questions submitted to a vote of the membership. The vote on any question at a meeting need not be taken by ballot unless (i) the chairperson of the meeting determines a ballot to be advisable or (ii) a majority in interest of the votes present at the meeting determine that the vote on the question submitted shall be taken by ballot.

3.08. Voting in Elections of Directors. Only Owners who hold memberships in good standing on the record date, which shall be at least thirty (30) days prior to any meeting at which an election is to occur, shall be entitled to vote in elections of Directors. As provided in Article V of the Master Deed, each Owner shall be entitled to one (1) unweighted vote for each Villa Home to which he holds title with respect to all elections. The election of Directors shall be conducted by written ballot. The persons receiving the fewest votes being eliminated from the ensuing ballot. A second vote shall be held and, on the second vote, the persons receiving the plurality of votes will be deemed to be elected in order to fill the vacant positions. If ever applicable, candidates polling the highest numbers of votes will be considered elected for the longest period of years. Election of Directors at all meetings shall be in accordance with this Section 3.08.

3.09. Ballot by Mail. The Board, in lieu of calling a membership meeting, may submit any question or election, other than a Transition Election, to a vote of the membership by a ballot by mail. No ballot by mail shall be valid or tabulated unless the signature of the Owner(s) submitting the ballot has been verified on the ballot in accordance with procedures established by the Board. Only Members in Good Standing on the record date shall be entitled to vote. The

Board shall appoint judges to tabulate the ballot whose report shall be included in the minute book. In order to conduct a ballot by mail for a question submitted to a vote of the membership, the Board shall serve a notice upon all members which shall (i) state with specificity in terms of motion(s) the question(s) upon which the vote is to be taken; (ii) state the date by which ballots must be received in order to be counted; (iii) provide an official ballot for the purposes of the vote; and (iv) state the date upon which the action contemplated by the motion(s) shall be effective, which date shall be not less than ten (10) days after the date ballots must be received. No actions contemplated by a question submitted to a ballot by mail shall be taken unless a majority in interest of all Members in Good Standing submit ballots approving such action.

In order to conduct a ballot by mail for an election of Directors, the Board shall serve a notice upon all Members which shall (i) provide an official ballot for the purposes of the election; and (ii) state the date by which the ballot must be received in order to be counted. No ballot shall be counted if the Member casting same is not in good standing on the record date.

3.10. Proxies. Voting by proxy shall be permitted with respect to all elections of Directors, and all amendments to the Certificate of Incorporation, the Master Deed or these By-Laws, or any other matter which is to come before a meeting of the membership of the Villa Homes Condominium Association or is voted upon by mail ballot. All proxies shall be in writing, signed by all individual Owners (or in the case of joint owners by any one of them), or by his or their duly authorized representative(s) and delivered to the Secretary of the Villa Homes Condominium Association, or such other person as the President may designate, prior to the opening of the polls at the meeting at which ballots are to be cast. Except in the case of mail ballots, proxies may be revoked at any time prior to the opening of the polls, and no proxy shall be valid after eleven (11) months from its date unless said proxy provides for a longer period, not

to exceed three (3) years from the date of execution. All proxies and mail ballots shall be substantially in the form prescribed by the Board, and if not in such form, shall be deemed invalid which determination shall be made in the sole and absolute discretion of the Judges of Election. Mail ballots cannot be revoked once they have been received by the Villa Homes Condominium Association.

3.11. Member in Good Standing. A Member shall be deemed to be in good standing and entitled to cast his vote at any annual meeting or at any special meeting of the Villa Homes Condominium Association if, and only if, he shall have fully paid all installments due for assessments made or levied against him and his Villa Home by the Board, at least thirty (30) calendar days prior to the date fixed for any meeting or other Villa Homes Condominium Association action, as hereinafter provided, together with all interest, costs, attorney's fees, penalties and other expenses, if any, properly chargeable to him and to his Villa Home. Any date set forth in these By-Laws for determining good standing for voting purposes, as well as any related requirement which may be established by the Board of Directors, shall be deemed supplemental to, and not in derogation of, the record date provisions of N.J.S.A. 15A:5-7.

3.12. Judges. If at any meeting of the Owners a vote by ballot shall be taken on any question, the chairperson of such meeting shall appoint two Judges to act thereat with respect to such vote. Each Judge so appointed shall first subscribe an oath to execute faithfully the duties of a Judge at such meeting with strict impartiality and according to the best of his ability. Such Judges shall decide upon the qualifications of voters and shall report the number of votes represented at the meeting and entitled to vote on such question, shall conduct and accept the votes, and when the voting is completed, shall ascertain and report the number of votes respectively for and against the questions; but as to the election of Directors, the number of votes

received by each candidate need not be reported. Reports of Judges shall be in writing and subscribed and delivered by them to the Secretary of the meeting. The Judges need not be Members of the Villa Homes Condominium Association, and any officer or Director of the Villa Homes Condominium Association may be a Judge on any question, other than a vote for or against his election to any position with the Villa Homes Condominium Association or any other question in which he may be directly interested. The Judges shall rule by majority vote.

3.13. Order of Business. The order of business at the annual meeting of the Owners or at any special meeting insofar as practicable shall be:

- (a) Calling of the roll and certifying the proxies.
- (b) Proof of notice of meeting and waiver of notice.
- (c) Reading and disposal of any unapproved minutes.
- (d) Appointment of Judges of election, if appropriate.
- (e) Election of Directors, if appropriate.
- (f) Receiving reports of officers.
- (g) Receiving reports of committees.
- (h) Old business, as set forth in the meeting notice.
- (i) New business, as set forth in the meeting notice.
- (j) Adjournment.

ARTICLE IV

BOARD OF DIRECTORS

4.01. Express and Implied Powers and Duties. The property, affairs and business of the Villa Homes Condominium Association shall be managed by the Board, which shall have all

those powers granted to it by the Certificate of Incorporation, the Master Deed, these By-Laws, and by law.

4.02. Number and Qualifications.

(a) Until the first annual meeting of the Membership of the Villa Homes Condominium Association, and thereafter until their successors shall have been elected and qualified, the Board shall consist of three (3) persons designated by the Developer, none of whom need be Owners.

Thereafter, the Board shall consist of five (5) Directors (Directors A, B, C, D, and E). Within sixty (60) days after the Owners other than Developer own twenty-five (25%) percent or fifty-three (53) or more Villa Homes, the President shall call and give not less than twenty (20) nor more than thirty (30) calendar days notice of a special meeting of the Members of the Villa Homes Condominium Association. At such meeting, all Owners other than Developer shall be entitled to vote for and elect Directors A and B and Developer shall have the right to appoint Directors C, D and E.

Thereafter, and within sixty (60) calendar days after Owners other than Developer own seventy-five (75%) or one hundred fifty-nine (159) Villa Homes, the President shall call and give not less than twenty (20) nor more than thirty (30) calendar days notice of a special meeting of the Directors of the Villa Homes Condominium Association. At such special meeting, Owners other than Developer shall be entitled to vote for all Directors of the Board not theretofore elected by them, except that Developer shall be entitled to appoint Director E so long as Developer owns one or more Villa Homes and holds same for sale in the ordinary course of business. Further, Developer shall have the right to relinquish control of the Board at any time,

provided that Owners, by majority vote, agree to assume control pursuant to N.J.A.C. 5:26-8.4(d).

(b) In the case of partnership owners, Directors shall be members, agents or employees of such partnership or of the partners thereof; or, in the case of corporate owners (including the Developer, during such time as Developer shall be an Owner of any Villa Homes), Directors shall be officers, stockholders, employees or agents of such corporation; or, in the case of fiduciary owners, Directors shall be fiduciaries or officers or employees of such fiduciaries.

4.03. Election and Term of Office. At the first annual meeting of the Membership that is called after Owners other than the Developer own (25%) percent or fifty-three (53) Villa Homes, Directors A and B shall be elected by the Owners other than the Developer, and Developer shall appoint Directors C, D and E. Directors A and B shall be elected for two (2) year terms and Directors C, D and E shall be appointed to serve until their successors are elected at the special meeting held after seventy-five (75%) or one hundred fifty-nine (159) Villa Homes are owned by Owners other than Developer. At said special meeting, Directors C, D and E shall be elected by Owners other than Developer subject, however to Developer's right to appoint Director E as provided for in Section 4.02(a) above, to serve for an initial term which expires at the annual meeting of the membership at which Directors A and B are not scheduled for reelection, but in no event shall such initial term be less than two (2) years nor more than three (3) years. Thereafter, the term for Directors C, D and E shall be for two (2) years, it being the purpose and intent hereof that Directors A and B shall be elected in alternate years to Directors C, D and E.

The Directors shall hold office until their respective successors have been duly elected and qualified, or until removed in the manner elsewhere provided. If at any meeting for election

of membership to the Board more than twice the number of candidates to be elected at such meeting is nominated, then, and in such event, there shall be two ballots for membership. At the end of the first ballot, the field of nominees shall be reduced so that there are twice as many candidates as there are positions to be filled, with the persons receiving the fewest votes being eliminated from the ensuing ballot. A second ballot shall be held, and on the second ballot, the persons receiving the most votes will be deemed to be elected in order to fill the vacant positions. If there are not more than twice the number of nominees for the number of positions to be filled, then there shall be one ballot, with the persons receiving the most votes being elected in order to fill the vacancies on the Board. If ever applicable, candidates polling the highest votes will be considered elected for the longest period of years. Election of Directors at successive annual meetings shall be in accordance with this Section 4.03.

4.04. Developer's Protective Provisions. After control of the Board has become vested in Directors elected by Members other than the Developer, and so long as the Developer owns at least one (1) Villa Home and holds same for sale in the ordinary course of business, the following shall apply:

- (a) Neither the Villa Homes Condominium Association nor its Board of Directors shall take any action that will impair or adversely affect the rights of the Developer, cause the Developer to suffer any financial, legal or other detriment, including, but not limited to, any direct or indirect interference with the sale of Villa Homes, or the assessment of the Developer for capital improvements.
- (b) The Villa Homes Condominium Association and its Board of Directors shall continue the same level of maintenance, operation and services as

provided immediately prior to the assumption of control of the Villa Homes Condominium Association and the Board of Directors by Owners other than appointees of the Developer.

- (c) In furtherance of the foregoing provisions, the Developer shall have the right to veto any and all actions of the Villa Homes Condominium Association or the Board which may have any direct or indirect detrimental impact upon the Developer as may be determined by the sole and reasonable discretion of the Developer.
- (d) The Developer shall exercise its veto right, in its sole and discretion, within ten (10) days after its receipt of written notice that a resolution or other action is proposed or has been taken by the Villa Homes Condominium Association or its Board. In such event, the Developer shall notify the Secretary of the Villa Homes Condominium Association in writing of its exercise of its veto right and any such proposal or action shall be deemed null and void ab initio and of no further force and effect. If the Developer does not receive notice for a period of ten (10) days after action is taken, such action shall be deemed null and void and of no further force and effect.

The aforementioned protective provisions shall be construed in accordance with and not in derogation of N.J.S.A. 46:8B-12.1 of the New Jersey Condominium Act and N.J.A.C. 5:26-8.4 of the regulations promulgated pursuant to the New Jersey Planned Real Estate Development Full Disclosure Act, N.J.S.A. 45:22A-21 et seq., and shall not be amended without the express written consent of the Developer.

4.05. Removal of Members of the Board. At any duly held regular or special meeting of the Owners, any one or more Directors may be removed with or without cause by a majority of the Owner votes present and a successor may then and there be appointed by a majority of the remaining Directors to fill the vacancy thus created. Each person so appointed shall be a Director for the remainder of the term of the Director whose term he is filling and until his successor is duly elected and qualified. Any Director whose removal has been proposed shall be given an opportunity on at least ten (10) days prior written notice to be heard at the meeting. This provision shall not apply to any Director appointed by the Developer. Despite the foregoing, the Developer or a Developer-appointed Director may not, acting alone, remove an Owner-elected Director. In the event that all of the Directors are removed, successors shall be elected by the Owners other than the Developer in the manner set forth in Section 4.03 herein to fill the vacancies thus created.

4.06. Vacancies. Vacancies on the Board caused by any reason other than the removal of a Director by a vote of the Owners of the Villa Homes Condominium Association shall be filled by a vote of a majority of the remaining Directors, including the Developer's appointees, at a special meeting of the Board held for that purpose promptly after the occurrence of any such vacancy. Each person so elected shall be a Director for the remainder of the term of the Director whose term he is filling and until his successor shall have been duly elected and qualified. Despite the foregoing, until the First Transition Election, Developer shall have the right to fill by appointment all positions vacated by Directors whom it has appointed under Section 4.05 hereof. Owner-elected vacancies on the Board shall only be filled with Owners other than appointees of the Developer, whether same be appointed or elected.

4.07. Meeting of the Board; Notices; Waiver of Notice. The first annual meeting of the Board shall be held within ten (10) days after the first annual meeting of the Villa Homes Condominium Association and at such time and place as shall be fixed by a majority of the Board and no notice shall be necessary. Thereafter, regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Board, but at least two (2) meetings shall be held each year. Notice of regular meetings of the Board shall be given to each Director by telephone, mail, or telegram at least three (3) calendar days prior to the day of the meeting. Special meetings of the Board may be called by the President on three (3) calendar days notice to each Director given by telephone, mail or telegram, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or the Secretary in like manner and on like notice on the written request of at least three (3) Directors. Any Director may, at any time, waive notice of any meeting of the Board in writing and such waiver shall be deemed equivalent to the giving of notice. Actual attendance by Directors at any meeting of the Board shall constitute 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.

All Board Meetings, except conferences or working sessions at which no binding votes are to be taken, shall be open to attendance by all Owners, subject to those exceptions set forth in N.J.S.A. 46:8B-13a and N.J.A.C. 5:20-1.1, as now or hereafter amended. The Board may exclude or restrict attendance at those meetings, or portions of meetings, at which any of the following matters are to be discussed: 1) any matter the disclosure of which would constitute an unwarranted invasion of individual privacy; 2) any pending or anticipated litigation or contract negotiations; 3) any matters falling within the attorney-client privilege, to the extent that

confidentiality is required in order for the attorney to exercise his ethical duties as a lawyer; or 4) any matter involving the employment, promotion, discipline or dismissal of a specific officer or employee of the Villa Homes Condominium Association. Adequate written notice of the date, time, place and, to the extent known, the agenda of all such open meetings shall be given by the Board to all Owners at least forty-eight (48) hours in advance of such meeting in the manner required by N.J.A.C. 5:20-1.2(b). Moreover, the Board shall also within seven (7) days following the Annual Meeting of the Villa Homes Condominium Association post, mail to newspapers and file with the administrator of the business office of the Villa Homes Condominium Association a schedule of the regular Board Meetings to be held in the succeeding year, as prescribed by N.J.A.C. 5:20-1.2(c) and make appropriate revisions thereto, all as required by N.J.A.C. 5:20-1.2(c)1.

4.08. Quorum and Adjourned Meetings. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business. The votes of a majority of the Directors present and voting at a meeting at which a quorum is present shall constitute a valid decision. If at any meeting of the Board there shall be less than a quorum present, the majority of those present shall adjourn the meeting to a new date. At any such adjourned meeting at which a quorum is present, any business which may have been transacted at the original meeting may be transacted without further notice. The vote of a majority of those present at a Board meeting at which a quorum is present shall be necessary for valid action by the Board on any matter.

For so long as the Developer appoints a majority of the Board of Directors, it shall not cause the Villa Homes Condominium Association to make any additions, alterations, improvements or purchases which would necessitate a special assessment or a substantial

increase in the monthly assessment unless required by a governmental agency, title insurance company, mortgage lender or in the event of emergency.

4.09. Joinder in Meetings by Approval of Minutes. Subject to the provisions of N.J.S.A. 45:22A-46 and N.J.A.C. 5:20-1.1, the transaction of any business at any meeting of the Board, however called and noticed or wherever held, shall be valid as if transacted at a meeting duly held after regular call and notice, if (i) a quorum is present; and (ii) either before or after the meeting, each Director signs either (a) a written waiver of notice, (b) a consent to the holding of the meeting, or (c) an approval of the minutes thereof, or of the resolution or act adopted at such meeting. All such waivers, consents or approvals shall be in writing and filed with the Secretary and made a part of the minutes of the meeting even though filed subsequent thereto.

4.10. Non-Waiver. All the rights, duties and privileges of the Board shall be deemed to be continuing and shall not be exhausted by any single act or series of acts. To the same extent, the failure to use or employ any remedy or right hereunder or hereafter granted shall not preclude its exercise in the future nor shall any custom bind the Board.

4.11. Consent in Lieu of Meeting and Vote. Despite anything to the contrary in these By-Laws, the Certificate of Incorporation or the Master Deed, the entire Board shall have the power to take action on any matter in which it is authorized to act, without the necessity of a formal meeting and vote, if the entire Board, or all of the Directors empowered to act, whichever the case may be, shall consent in writing to such action.

ARTICLE V

POWERS AND DUTIES OF BOARD OF DIRECTORS

5.01. General Powers and Privileges. Subject to the Master Deed, the Villa Homes Condominium Association may do all it is legally entitled to do under the laws applicable to its

form of organization. The Villa Homes Condominium Association shall discharge its powers in a manner that protects and furthers the health, safety and ~~general~~ welfare of the residents of the Villa Homes Condominium. The Villa Homes Condominium Association shall provide a fair and efficient procedure for the resolution of disputes between individual Owners and the Villa Homes Condominium Association, and between different Owners, that shall be readily available as an alternative to litigation.

The property, affairs and business of the Villa Homes Condominium Association shall be managed by the Board of Directors, which shall have all those powers granted to it by the Certificate of Incorporation, the Master Deed, these By-Laws, and by law.

The Board shall have these powers, which include, but which are not necessarily limited to, the following, together with such other powers as may be provided herein or in the Master Deed, or which may be necessarily implied:

- (a) To employ, by contract or otherwise, a manager, managing agent or an independent contractor to oversee, supervise and carry out the responsibilities of the Board. Said manager or said independent contractor shall be compensated upon such terms as the Board deems necessary and proper; and
- (b) To employ any person, firm or corporation to repair, maintain or renovate the Common Elements of the Villa Homes Condominium; to lay pipes or culverts; to bury utilities; to put up lights or poles; to erect signs and traffic and safety controls of various sorts on said Common Elements. Despite the foregoing, The Villages at Cinnamonson Harbour Community Association, Inc. shall be obligated to maintain and repair the parking

areas on the Common Elements and the other facilities described in Section 3.02 of its Declaration; and

- (c) To employ professional counsel and to obtain advice from persons, firms or corporations such as, but not limited to, landscape architects, architects, engineers, lawyers and accountants; and
- (d) To employ or contract for water and sewer, electricity and gas or other forms of utilities, cable or master antenna television, refuse collection; and
- (e) To employ all managerial personnel necessary, or enter into a managerial contract for the efficient discharge of the duties of the Board hereunder; and
- (f) To adopt, amend, and publish rules and regulations covering the details of the operation and use of the Common Elements including, but not limited to, pet controls; and
- (g) To secure full performance by all Owners or occupants of all items of maintenance for which they are responsible; and
- (h) To coordinate the plans of Owners and occupants of Villa Homes for moving their personal effects or property into the Villa Home or out of it, with a view toward scheduling such movements so that there shall be a minimum of inconvenience to others; and
- (i) To establish and enforce Rules and Regulations for parking subject to the provisions of the Master Deed, the Certificate of Incorporation and these By-Laws; and
- (j) To arrange for security protection as necessary; and

- (k) To enforce obligations of the Owners and do anything and everything else necessary and proper for the sound management of the Villa Homes Condominium, including, but not limited to, the right to bring or defend lawsuits to enforce the terms, conditions and restrictions contained in the Master Deed, the Certificate of Incorporation, these By-Laws, or the Rules and Regulations; and
- (l) To borrow and repay monies giving notes, mortgages or other security upon such term or terms as it deems necessary; and
- (m) To invest and reinvest monies, sue and be sued, collect interest, dividends, and capital gains; exercise rights; pay taxes; make and enter into contracts; enter into leases or concessions; make and execute any and all proper affidavits for various purposes; compromise any action without leave of court; and all other powers contained herein, and those necessary and incidental thereto; and
- (n) To transfer, grant or obtain easements, licenses and other property rights burdening the Common Elements or for the benefit of the Villa Homes Condominium; and
- (o) To purchase (but not during the period of Developer control) or lease or otherwise acquire in the name of the Villa Homes Condominium Association or its designees, corporate or otherwise, on behalf of all Owners within the Villa Homes Condominium after the Owners control the Board, Villa Homes offered for sale or lease or surrendered by their

Owners to the Board provided that the foregoing shall not be construed to constitute a right of first refusal; and

- (p) To purchase (but not during the period of Developer control) Villa Homes within the Villa Homes Condominium at foreclosure or other judicial sales in the name of the Villa Homes Condominium Association or its designees, corporate or otherwise, on behalf of all Owners after the Owners control the Board; and
- (q) To sell, lease, mortgage (but not vote the votes appurtenant thereto) or otherwise deal with Villa Homes acquired by the Villa Homes Condominium Association, and sublease any such Villa Homes leased by the Villa Homes Condominium Association or its designees, on behalf of all Owners; and
- (r) To bring and defend actions by or against more than one Owner which are pertinent to the operation of the Villa Homes Condominium, the health, safety or general welfare of the Owners, or any other legal action to which the Owners may consent in accordance with these By-Laws; and
- (s) To appoint an Insurance Trustee, who shall not be a member of the Villa Homes Condominium Association, an employee of the Developer, or the manager, who shall discharge his duties in accordance with these By-Laws. In the absence of such an appointment, the Board shall be responsible for the disposition of all insurance proceeds; and

- (t) To create, appoint members to and disband such committees as shall from time to time be deemed appropriate or necessary to aid the Board in the discharge of its duties, functions and powers; and
- (u) To establish an Architectural Review Committee as hereinafter provided in Article IX; and
- (v) To establish an Alternative Dispute Resolution Committee as hereinafter provided in Article X.

5.02. Duties and Responsibilities. It shall be the affirmative and perpetual obligation and duty of the Board to perform the following:

- (a) To cause the Common Elements to be maintained according to accepted standards and as set forth in the Master Deed, including, but not limited to, such maintenance, painting, replacement and repair work, as may be necessary, and ground and lawn maintenance of the Common Elements as the Board may deem appropriate. All repairs and replacement shall be substantially similar to the original construction and installation and shall be of first class quality; and
- (b) To investigate, hire, pay, supervise and discharge the personnel necessary to be employed, and provide the equipment and materials necessary, in order to properly maintain and operate the Common Elements. Compensation for the services of such employees (as evidenced by certified payroll) shall be considered an operating expense of the Villa Homes Condominium Association; and

- (c) To cause to be kept a complete record of all its acts and corporate affairs and to present a summary report thereof to the Members at the annual meeting or at any special meeting of the Villa Homes Condominium Association when requested in writing at least twenty-one (21) calendar days in advance by the Owners entitled to cast at least twenty-five (25%) percent of the total votes of the Villa Homes Condominium Association; and
- (d) To allocate common surplus or make repairs, additions, improvements to, or restoration of the Common Elements in accordance with the provisions of these By-Laws and the Master Deed after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings; and
- (e) To take such action as may be necessary to comply promptly with any and all orders or requirements affecting the premises maintained by the Villa Homes Condominium Association placed thereon by any federal, state, county or municipal authority having jurisdiction thereover, and order of the Board of Fire Underwriters or other similar bodies; and
- (f) To manage the fiscal affairs of the Villa Homes Condominium Association as hereinafter provided in Article VI; and
- (g) To place and keep in force all insurance coverages required to be maintained by the Villa Homes Condominium Association, applicable to its property and members including, but not limited to:

- (i) Physical Damage Insurance. To the extent obtainable in the normal commercial marketplace, broad form insurance against loss by fire and against loss by lightning, windstorm and other risks normally included within all risk extended coverage, including vandalism and malicious mischief, insuring all improvements existing within the Villa Homes Condominium other than those located within the Villa Homes, together with all service machinery appurtenant thereto, as well as common personalty and supplies belonging to the Villa Homes Condominium Association, and covering the interest of the Villa Homes Condominium Association, the Board, the Developer, all Owners, and any Permitted Mortgage Holder who have requested the Villa Homes Condominium Association in writing to be named as loss payee, as their respective interests may appear, in an amount equal to the full replacement value of the Common Elements (exclusive of foundations and footings) without deduction for depreciation. Each policy shall contain a standard mortgagee clause in favor of each applicable mortgage holder, which shall provide that the loss, if any, thereunder, shall be payable to each applicable mortgage holder as its interest may appear, subject to the loss payment provisions set forth in Article XI of the Master Deed. The aforesaid mortgagee clause shall name as mortgagee either the Federal National Mortgage Association (FNMA) or its servicers in

the event FNMA holds mortgages on any Villa Homes. When a servicer is named as a mortgagee, its name must be followed by the phrase "its successors and assigns." When a majority of the Board is elected by the Owners other than the Developer, prior to obtaining any policy of fire insurance or any renewal thereof, the Board shall obtain a qualified appraisal or other written evaluation of an insurance broker licensed to conduct business in New Jersey or other qualified expert as to the full replacement value of the Common Elements (exclusive of foundations and footings), and the improvements located thereon, without deduction for depreciation, for the purposes of determining the amount of insurance to be effected pursuant to this subparagraph. The amount of any deductible shall be as determined by the Board, in its sole discretion.

- (ii) Public Liability Insurance. To the extent obtainable in the normal commercial marketplace, public liability insurance for personal injury and death from accidents occurring within the Common Elements (and any other areas which the Board may deem advisable) and the defense of any actions brought by injury or death of a person or damage to property, occurring within such Common Elements and not arising by reason of any act or negligence of any individual Owner. Said insurance shall be in such limits as the Board may, from time to time, determine,

covering each Member of the Board, the managing agent, the manager, and each Member, and shall also cover cross liability claims of one insured against another. Until the first meeting of the Board following the first annual meeting, such public liability insurance shall be in a single limit of not less than \$1,000,000.00 covering all claims for personal injury or property damage arising out of any one occurrence. The Board shall review such limits once a year.

- (iii) Directors and Officers Liability Insurance. To the extent obtainable in the normal commercial marketplace, liability insurance indemnifying the Directors and Officers of the Villa Homes Condominium Association against the liability for errors and omissions occurring in connection with the performance of their duties, in an amount of at least \$1,000,000.00, with any deductible amount to be in the sole discretion of the Board.
- (iv) Workers Compensation Insurance. Workers compensation and New Jersey disability benefits insurance as required by law.
- (v) Vehicular Liability Insurance. To the extent obtainable in the normal commercial marketplace, vehicular liability insurance to cover all motor vehicles, if any, owned or operated by the Villa Homes Condominium Association.

- (vi) Flood Insurance. Flood hazard insurance in the event any of the insurable Common Elements are located within a federally designated zone of greater than minimal flood hazard.
- (vii) Other Insurance. Such other insurance as the Board may determine.

All policies shall: (i) provide, if possible, for recognition of any insurance trust agreement of the Villa Homes Condominium Association and that adjustment of loss shall be made by the Board with the approval of the Insurance Trustee, if any, and that the net proceeds thereof, if \$25,000.00 or less shall be payable to the Board, and if more than \$25,000.00 shall be payable to the Insurance Trustee, if any; (ii) require that the proceeds of physical damage insurance be applied to the restoration of such Common Elements and such portions of the structures, improvements and service machinery as is required by the Master Deed and these By-Laws; (iii) to the extent obtainable contain agreed amount and inflation guard endorsements; construction code endorsement; demolition cost endorsement; contingent liability from operation of building laws endorsement and increased cost of construction endorsement; (iv) provide that the insurance will not be prejudiced by any act or omission of individual Members that are not under the control of the Villa Homes Condominium Association; (v) provide that the policy will be primary, even if insurance covering the same loss is held by any member(s); (vi) to the extent obtainable contain waivers of subrogation and waivers of any defense based on co-insurance or of invalidity arising from any acts of the insured; and (vii) provide that such policies may not be canceled without at least thirty (30) days prior written notice to all of the named insureds, including all Owners and Eligible Mortgage Holders.

All policies shall show the named insured as: "Cinnaminson Harbour Villa Homes Condominium Association, Inc., for the use and benefit of the individual Owners," or the Villa Homes Condominium Association's Insurance Trustee, if any. The "loss payable" clause must show the Villa Homes Condominium Association or the Insurance Trustee, as a trustee for each Owner, mortgage holder or other loss payee. Also, the policies must require the insurer to notify in writing the Villa Homes Condominium Association, its Insurance Trustee and each Eligible Mortgage Holder or other entity named in the mortgagee clause at least thirty (30) days before it substantially changes the Villa Homes Condominium Association's coverage.

The Board may determine, in its sole discretion, the amount of any deductible and the responsibility for payment of same as to any policy of insurance maintained under this subsection. Despite any other provisions of this subsection, the Villa Homes Condominium Association shall not be required to provide any type or amount of insurance not commonly available in the normal commercial marketplace.

The premiums for all insurance and fidelity bonds carried by the Villa Homes Condominium Association shall be a Common Expense and shall be borne by the Owners in direct proportion to their obligations for payment of all other Common Expenses.

Each Owner shall be required to obtain and keep in full force and effect, an "HO6" homeowner's insurance policy for his own benefit, with a \$500.00 deductible. Moreover, the liability of the carriers issuing insurance covering the Villa Homes Condominium Association shall not be affected nor diminished by reason of any such additional insurance carried by any Owners. A certificate of such "HO6" policy shall be furnished to the Villa Homes Condominium Association upon request of the Board, which certificate by its terms shall provide that the policy shall not be terminated without at least thirty (30) days prior written notice to the Villa Homes

Condominium Association. If the Villa Homes Condominium Association receives notice that such policy is to be cancelled for any reason whatsoever, the Villa Homes Condominium Association shall have the right to obtain an "HO6" policy on behalf of the Owners and charge the cost of the annual premium therefore to the Owner in question as a Remedial Assessment. The Remedial Assessment shall be a lien against the Villa Home and enforceable in the same manner as all other Common Expense Assessments. In the event that a Villa Home is occupied by a tenant, the Owner shall require the tenant to provide an "HO4" tenants insurance policy in lieu of the "HO6" homeowner's insurance policy, in which case all of the provisions hereof regarding the "HO6" policy shall apply to the "HO4" policy.

ARTICLE VI

FISCAL MANAGEMENT

6.01. Budget; Common Expense Assessments. The Board of Directors shall prepare an annual budget which reflects the anticipated operating expenditures and repair and replacement reserve accumulation requirements for the next ensuing fiscal year of the Villa Homes Condominium Association. Common Expenses shall include, but are not limited to, the estimated costs for the operation, repair and maintenance of the Common Elements, the estimated costs for the operation of the Villa Homes Condominium Association, and any reserves for deferred maintenance, replacement or capital improvements of the Common Elements.

The Board shall have the duty to collect from each Owner, his heirs, administrators, successors and assigns, as "Annual Common Expense Assessments", the proportionate share of the Annual Common Expenses assessed against such Owner as provided in the Condominium Documents and in accordance with applicable law.

While the Developer appoints a majority of the Board, it shall not cause the Villa Homes Condominium Association to make any additions, alterations, improvements or purchases not contemplated in the Public Offering Statement for the Villa Homes Condominium registered with the New Jersey Department of Community Affairs which would necessitate a special assessment or a substantial increase in the Common Expense Assessment unless required by a governmental agency, title insurance company, mortgage lender or in the event of emergency.

6.02. Determination of Common Expenses. The amount of monies for Common Expenses deemed necessary by the Board and the manner of expenditure thereof, including, but not limited to, the allocation thereof, shall be a matter for the sole discretion of the Board.

6.03. Disbursements. The Board shall take and hold the funds as collected and shall disburse the same for the purposes and in the manner set forth herein and as required by the Master Deed, the Certificate of Incorporation, and applicable law.

6.04. Depositories. The depository of the Villa Homes Condominium Association shall be such federally insured bank or banks as shall be designated from time to time by the Board and in which the monies of the Villa Homes Condominium Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such parties as are authorized by the Board, provided that a management agreement may include among its provisions authority for the manager to sign checks on behalf of the Villa Homes Condominium Association for payment of the obligations of the Villa Homes Condominium Association, if the proper fidelity bond is furnished to the Villa Homes Condominium Association.

6.05. Accounts. The receipts and expenditures of the Villa Homes Condominium Association shall be common charges and Common Expenses respectively, and shall be credited

and charged to accounts under the following classifications as the Board shall deem appropriate, all of which expenditures shall be Common Expenses:

- (a) Current expenses, which shall include expenditures within the year for which the budget is made, including reasonable allowances for contingencies and working funds. Current expenses shall not include expenditures chargeable to reserves, or to additional improvements, or to operations. At the end of each year, the unexpended amount remaining in this account shall be applied to reduce the assessments for current expenses for the succeeding year, or may be distributed to the membership in the same manner as assessed, as the Board shall determine.
- (b) Reserve for deferred maintenance, which shall include funds for maintenance items that occur less frequently than annually.
- (c) Reserve for replacement, which shall include funds for repair or replacement of the Common Elements and those portions of the improvements located thereon which the Villa Homes Condominium Association is obligated to maintain or repair which is required because of damage, depreciation or obsolescence. The amounts in this account shall be allocated among each of the separate categories of replacement items.
- (d) Reserves for capital improvements, which shall include the funds to be used for capital expenditures or for acquisition of additional personal property that will be part of the Common Elements.
- (e) Operations, which shall include all funds from the use of the Common Elements or from any other sources. Only the additional direct expense

required by any revenue producing operation will be charged to this account, and any surplus from any operation or otherwise shall be used to reduce the assessments for current expenses for the succeeding year, or at the discretion of the Board, distributed to the current membership in the same manner as assessed. Losses from operations or otherwise shall be met by special assessments against Owners, which assessments may be made in advance in order to provide a working fund.

The Board shall not be required to physically segregate the funds held in the above accounts except for reserves for replacement and repair, which fund must be maintained in a separate account. The Board may, in its sole discretion, maintain the funds in one or more consolidated accounts. However, the division into the various accounts set forth above need be made only on the records of the Villa Homes Condominium Association.

6.06. Reserves. The Board shall not be obligated to expend all of the revenues collected in any accounting period, and must maintain reasonable reserves for, among other things, repairs, replacements, emergencies, contingencies of bad weather or uncollected accounts. Despite anything herein to the contrary, the Board in its determination of the Common Expenses and the preparation of a budget shall specifically designate and identify that portion of the Common Expenses which is to be assessed against the Owners as a capital contribution and is allocable to reserves for each separate item of capital improvement of and to said Property. The amounts assessed and collected for the reserves shall be kept in one or more interest-bearing savings accounts or certificates of deposit in a federally insured institution and shall not be utilized for any purpose other than that which was contemplated at the time of the assessment.

The foregoing shall not be construed to mean that the Board shall not be permitted to keep

additional cash on hand, in a checking or petty cash account, for the necessary discharge of its functions.

6.07. Exemption from Assessments for Capital Improvements. Despite anything to the contrary herein, neither Developer nor any Permitted Mortgage Holder for any Villa Home shall be required to pay any assessment for capital improvements, whether by way of regular or special assessments or otherwise. Further, this provision may not be amended without the written consent of the Developer and that of every Permitted Mortgage Holder. Despite the foregoing, the Developer and every Permitted Mortgage Holder shall each be responsible for the installments of regular Common Expense Assessments, or portions thereof, attributable to Villa Homes for which a Certificate of Occupancy has been issued and for which they respectively hold title during the time title is held. This includes that portion of same attributable to normal reserves for capital repair and replacement.

6.08. Notice. The Board shall give written notice to each Owner, and to any Eligible Mortgage Holder, of the amount estimated by the Board for Common Expenses for the management and operation of the Villa Homes Condominium Association for the next ensuing budget period, directed to the Owner at his last known address by ordinary mail, or by hand delivery. Said notice shall be conclusively presumed to have been delivered five (5) days after deposit in the United States mails. After control of the Board has been turned over to Owners other than the Developer, if an Annual Common Expense Assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior year's assessment, and monthly installments on such assessment shall be due upon each installment payment date until changed by an amended assessment. In the event the Annual Common Expense Assessment proves to be insufficient, the budget and assessments may be amended at

any time by the Board, provided that nothing herein shall serve to prohibit or prevent the Board from imposing a lump sum assessment in the case of any immediate need or emergency which cannot be met by reserve funds allocated for such contingency.

6.09. Acceleration of Assessment Installment Upon Default. If an Owner shall be in default in the payment of an installment upon a Common Expense Assessment, the Board may accelerate the remaining installments of the assessment and file a lien for each accelerated amount upon notice to such defaulting Owner. If the delinquent installment has not been theretofore paid and if the Board elected to accelerate the remaining installments, the then unpaid balance of the Common Expense Assessment shall become due upon the date stated in the notice, which date shall not be less than five (5) calendar days after delivery of the notice to such Owner, or not less than ten (10) calendar days after the mailing of such notice to him by registered or certified mail, whichever shall first occur. If no such notice is given or if such notice is given, but the Board did not elect to accelerate the remaining installments and default shall continue for a period of thirty (30) calendar days, then the Board shall be required (i) to accelerate the remaining installments of the assessment for the current year upon notice to the defaulting Owner, and (ii) to file a lien for such accelerated assessments as permitted by law. In such latter event, the Board may also notify any Permitted Mortgage Holder holding a mortgage which encumbers the Villa Home affected by such default. If said default continues for a period of ninety (90) calendar days then the Board shall foreclose the foregoing lien pursuant to law and/or commence a suit against the appropriate parties to collect said assessment.

6.10. Interest and Counsel Fees. The Board at its option shall have the right in connection with the collection of any Common Expense Assessment, or other charge, to impose an interest or (to the extent permitted by the law of New Jersey) a late charge not to exceed the

legal maximum rate permitted by law if such payment is made after a date certain stated in such notice. In the event that the Board shall effectuate collection of said assessments or charges by resort to counsel, and/or the filing of a lien, the Board may add to the aforesaid assessments or charges reasonable counsel fees, plus the reasonable costs for preparation, filing and discharge of the lien, in addition to such other costs as may be allowable by law.

6.11. Assessment of Expenses in Actions By or Against Villa Homes Condominium Association; Allocation of Awards.

- (a) Common Expenses. In the case of any action or proceeding brought or defended by the Villa Homes Condominium Association or the Board pursuant to the provisions of these By-Laws, the reasonable costs and expenses of preparation and litigation, including attorneys and expert witness fees, shall be a Common Expense allocated to all Owners. All Common Expense Assessments received and to be received by the Board, for the purpose of paying any judgment obtained against the Villa Homes Condominium Association or the Board and the right to receive such funds, shall constitute trust funds and same shall be expended first for such purpose before expending any part of same for any other purpose.
- (b) Allocation of Awards. Money judgments recovered by the Villa Homes Condominium Association in any action or proceeding brought hereunder, including costs, penalties or damages shall be deemed a special fund to be applied to (1) the payment of unpaid litigation expenses; (2) refunding to the Owners the cost and expenses of litigation advanced by them; (3) Common Charges, if the recovery thereof was the purpose of the

litigation; (4) repair or reconstruction of the Common Elements if recovery of damages to same was the motivation for the litigation; and (5) any amount not applied to (1), (2), (3) and (4) above shall at the discretion of the Board be treated either as (i) a common surplus which shall be allocated and distributed pursuant to the provisions of the Master Deed or (ii) a set off against the common charges generally.

Despite the foregoing, if an Owner(s), the Board or any other person or legal entity affected by any such distribution, shall assert that the damages sustained or the diminution in value suffered by an Owner was disproportionate to his or their percentage of common interest, in that event the matter shall be decided in accordance with the procedures set forth in Article XV hereof.

- (c) Recovery by Owner. In the event that an Owner succeeds in obtaining a judgment or order against the Villa Homes Condominium Association or the Board, then in addition to any other sums to which said Owner(s) would otherwise be entitled by such judgment or order, he or they shall also be entitled to the restitution or recovery of any sums paid to the Board as assessments for litigation expenses in relation to said action or proceeding.

6.12. Power of Attorney to Permitted Mortgage Holder. If the Board shall not cause the enforcement procedures provided in Sections 6.08 and 6.09 above to be implemented within the time provided, any Permitted Mortgage Holder for any Villa Home as to which there shall be such unpaid Common Expense Assessments is hereby irrevocably granted a power of attorney to

commence such actions and to invoke such other remedies, all in the name of the Villa Homes Condominium Association. This power of attorney is expressly stipulated to be coupled with an interest in the subject matter.

6.13. Annual Audit. The Board shall submit the books, records and memoranda of the Villa Homes Condominium Association to an annual audit by an independent certified public accountant who shall audit same and render a report thereon in writing to the Board and in summary form to the Owners and such Eligible Mortgage Holders or other persons, firms or corporation as may be entitled to same. While the Developer has the right to designate a majority of the Directors to the Board, an annual audit shall be performed by an independent certified public accountant at the Villa Homes Condominium Association's expense, a copy of which report shall be delivered to each Owner within ninety (90) calendar days of the expiration of the fiscal year of the Villa Homes Condominium Association. The audit shall cover the operating budget and reserve accounts.

6.14. Examination of Books. Each Owner shall be permitted to examine the books of account of the Board by appointment at a reasonable time on business days; provided, however, that the Treasurer of the Villa Homes Condominium Association has been given at least ten (10) calendar days prior written notice of the Owner's desire to make such an examination.

6.15. Fidelity Bonds. Fidelity bonds shall be required by the Board from all persons handling or responsible for Villa Homes Condominium Association funds. The amount of such bonds shall be determined by the Board in its sole discretion. The premiums on such bonds shall be paid by the Villa Homes Condominium Association. While the Developer has the right to designate a majority of the Directors to the Board, Developer shall post a fidelity bond or other guarantee acceptable to the Department of Community Affairs at the Villa Homes Condominium

Association's expense, in an amount equal to the annual budget. For the second and succeeding years, the bond or other guarantee shall include accumulated reserves.

ARTICLE VII

OFFICERS

7.01. Designation. The principal officers of the Villa Homes Condominium Association shall be a President, a Vice-President, both of whom shall be members of the Board, a Secretary and a Treasurer. The Board may also appoint such other Assistant Treasurers and Assistant Secretaries as in its judgment may be necessary. Any two (2) offices, except that of President and Vice-President, may be held by one person.

7.02. Election of Officers. The officers of the Villa Homes Condominium Association shall be elected annually by the Board at the first Board of Directors meeting following each annual meeting and such officers shall hold office at the pleasure of the Board.

7.03. Removal of Officers. Upon an affirmative vote of a majority of the full number of Directors, any officer may be removed, either with or without cause, after opportunity for a hearing, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

7.04. Duties and Responsibilities of Officers.

- (a) The President shall be the chief executive officer of the Villa Homes Condominium Association. He shall preside at all meetings of the Villa Homes Condominium Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of President of an association. He shall also serve as the Villa Homes Condominium Association's delegate to the Community Association, and

shall exercise all duties and fulfill all responsibilities attendant to that position. In the event he is unable or elects not to serve in this capacity or to attend any meeting of the Trustees of the Community Association, the President shall have the right to designate the Vice President, or another person in the Vice President's absence, to serve in such capacity or to attend any such meeting.

- (b) The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board shall appoint some other Director to so do on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board.
- (c) The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the members of the Villa Homes Condominium Association; the Secretary shall have charge of such books and papers as the Board may direct; and the Secretary shall, in general, perform all the duties incident to the office of the Secretary.
- (d) The Treasurer shall have the responsibility for the custody of Villa Homes Condominium Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Villa Homes Condominium Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit of the Villa Homes

Condominium Association in such depositories as may from time to time be authorized by the Board.

7.05. Other Duties and Powers. The Officers shall have such other duties, powers and responsibilities as shall, from time to time, be authorized by the Board.

7.06. Eligibility of Directors. Nothing herein contained shall prohibit a Director from being an Officer.

7.07. Officers as Members of Board of Trustees of Community Association. The President of the Board of Directors, or his designee from among the other Board members of the Villa Homes Condominium Association, shall also serve as a Trustee on the Board of the Community Association in accordance with its Declaration.

ARTICLE VIII

COMPENSATION, INDEMNIFICATION AND EXCULPABILITY OF OFFICERS, DIRECTORS AND COMMITTEE MEMBERS

8.01. Compensation. No compensation shall be paid to any Officer, Director or Committee Member, except that the Secretary and/or Treasurer may be compensated for their services if the Board determines that such compensation is appropriate. Nothing herein stated shall prevent any Officer, Director or Committee Member from being reimbursed for out-of-pocket expenses or compensated for services rendered in any other capacity to or for the Villa Homes Condominium Association, provided, however, that any such expenses incurred or services rendered shall have been authorized in advance by the Board.

8.02. Indemnification. Each Director, Officer or Committee Member of the Villa Homes Condominium Association, shall be indemnified by the Villa Homes Condominium Association against the actual amount of net loss, including counsel fees reasonably incurred by

or imposed upon him in connection with any action, suit or proceeding to which he may be a party by reason of his being or having been a Director, Officer, or Committee Member of the Villa Homes Condominium Association, except as to matters for which he shall be ultimately found in such action to be liable for gross negligence or willful misconduct. In the event of a settlement of any such case, indemnification shall be provided only if the Villa Homes Condominium Association is advised by counsel that the person to be indemnified had not been guilty of gross negligence or willful misconduct in connection with the matters covered by the settlement.

8.03. Exculpability. Unless acting in bad faith, neither the Board as a body nor any Director, Officer, or Committee Member shall be personally liable to any Owner in any respect for any action or lack of action arising out of the execution of his office. Each Owner shall be bound by the good faith actions of the Board, Officers and Committee Members of the Villa Homes Condominium Association, in the execution of the duties of said Directors, Officers and Committee Members. Nothing contained herein shall be construed so as to exculpate members of the Board of Directors appointed by the Developer from discharging their fiduciary responsibilities.

ARTICLE IX

ARCHITECTURAL REVIEW COMMITTEE

9.01. Purpose. The Board may establish an Architectural Review Committee ("ARC"), consisting of up to five (5) members appointed by the Board, but not to include a member of the Board. Each member shall serve for a staggered term of two (2) years, in order to assure that the Villa Homes Condominium shall always be maintained in a manner:

- (1) providing for architectural consistency, visual and aesthetic harmony and soundness of repair;
- (2) avoiding activities deleterious to the aesthetic or property values of the Villa Homes Condominium;
- (3) furthering the comfort of the Owners, their guests, invitees and lessees; and
- (4) promoting the general welfare and safety of the Villa Homes Condominium community.

9.02. Powers. The ARC shall regulate the external design, appearance, use and maintenance of the Villa Homes Condominium, including the Common Elements and the Villa Homes, in accordance with standards and guidelines contained in the Master Deed or these By-Laws or otherwise adopted by the Board ("Architectural Restrictions"). The ARC shall have the power, or upon petition of any owner or upon its own motion, to issue a cease and desist order to an Owner or his lessees whose actions are inconsistent with the foregoing standards and guidelines. The ARC shall provide interpretations of the Architectural Restrictions when requested to do so by an Owner or the Board. Any action, ruling or decision of the ARC may be appealed to the Board by any party deemed by the Board to have standing as an aggrieved party within forty-five (45) days of the receipt of the written determination of the ARC. If said action, ruling or decision is appealed to the Board within said forty-five (45) days, the Board may modify, reverse or confirm any such action, ruling or decision. If said action, ruling or decision is not appealed to the Board within said forty-five (45) days, then the decision of the ARC shall be binding. The decision of the Board can only be appealed to a court of competent jurisdiction

or, with the consent of all parties, to the ADR Committee for binding arbitration, subject, however, to the right to mediation or non-binding arbitration in Section 12.05 hereof.

9.03. Authority. The ARC shall carry out and exercise its power and authority in the manner provided for in any Rules and Regulations adopted by the Board.

ARTICLE X

ALTERNATIVE DISPUTE RESOLUTION COMMITTEE

10.01. Designation. The Board shall establish an Alternative Dispute Resolution Committee ("ADR Committee"), consisting of a chairperson and two or more members, none of whom may be members of the Board or an employee of the Villa Homes Condominium Association. The ADR Committee shall serve indefinitely as the pleasure of the Board.

10.02. Powers. The ADR Committee shall have the power to appoint a subcommittee from among its members and may delegate to any such subcommittee any of its powers, duties and functions.

10.03. Authority. It shall be the duty of the ADR Committee to attempt to resolve complaints from members on any matters involving alleged violations of any restrictions, rules and regulations set forth in the Condominium Documents. Its authority does not extend to collection matters or governance of the Villa Homes Condominium, except to the extent that the Board may delegate said authority.

ARTICLE XI

ADDITIONS, ALTERATIONS OR IMPROVEMENTS BY THE VILLA HOMES CONDOMINIUM ASSOCIATION

11.01. Approval by Owners. Whenever, in the judgment of the Board, the Common Elements require a new capital improvement costing in excess of \$5,000.00 said improvement

shall not be made unless it has been authorized by a written resolution approved by a majority of votes present in person or by proxy at a meeting of the Members at which a quorum is present. When said authorization has been obtained, all Owners benefiting from same shall be assessed for the cost thereof as a Common Expense.

11.02. Emergency. Despite Section 11.01, in the event of any emergency which could cause damage to the Common Elements as to any Building or part(s) thereof, the Board may expend sums in excess of \$5,000.00 to protect the said Building or part(s) and the judgment of the Board shall be final.

ARTICLE XII

ENFORCEMENT

12.01. Enforcement. The Board shall have the power, at its sole option, to enforce the terms of this instrument or any rule or regulation promulgated pursuant thereto, by any or all of the following: self-help in the case of an emergency; sending notice to the offending party to cause certain things to be done or undone; restoring the Villa Homes Condominium Association to its original position and charging the breaching party with the entire cost or any part thereof; complaint to the duly constituted governmental authorities; or by taking any other action before any court, summary or otherwise, as may be provided by law.

12.02. Fines. To the extent now or hereafter permitted by the law of the State of New Jersey, the Villa Homes Condominium Association shall also have the power to levy fines against any Owner(s) for violation(s) of any Rule or Regulation of the Villa Homes Condominium Association or for any covenants or restrictions contained in the Master Deed or By-Laws, except that no fine may be levied for more than the maximum amount permitted by law for any one violation; provided, however, that for each day a violation continues after notice

it shall be considered a separate violation. Collection of the fines may be enforced against any Owner(s) involved as if the fine were a Common Expense owed by the particular Owner(s). Despite the foregoing, before any fine is imposed by the Villa Homes Condominium Association, the Owner involved shall be given at least ten (10) days prior written notice and afforded an opportunity to be heard, with or without counsel, with respect to the violation(s) asserted.

12.03. Waiver. No restriction, condition, obligation or covenant contained in these By-Laws shall be deemed to have been abrogated or waived by reason of the failure to enforce same irrespective of the number of violations or breaches thereof which may occur.

12.04. Cause of Action Against Villa Homes Condominium Association. Subject to the mediation requirement set forth herein, Owners shall have a cause of action, to the extent permitted by the laws of this State, against the Villa Homes Condominium Association for its failure to act in accordance with the Condominium Documents or any formal decisions of the Villa Homes Condominium Association. Any dispute between or among Owners or with the Villa Homes Condominium Association, other than collection matters, must first be submitted to the ARC for mediation before any litigation is commenced with respect to the dispute in question, as contemplated by N.J.S.A. 45:22A-44(c). Such mediation shall be conducted in accordance with the Procedures for Alternative Dispute Resolution of the Villa Homes Condominium Association formally established by the Villa Homes Condominium Association.

12.05. Alternative Dispute Resolution Procedure.

a. Authority. The ADR Committee shall have the power and authority to resolve disputes arising under and to enforce the provisions of the Condominium Documents, including the right to (i) impose temporary cease and desist orders and (ii) levy fines pursuant to

Section 12.02 hereof to the extent permitted by law. The ADR Committee shall carry out its duties and exercise its powers and authority in the manner provided for in the Rules and Regulations or by Resolution of the Board of Directors. Despite the foregoing, no action may be taken by the ADR Committee without giving the Owner(s) involved at least ten (10) days prior written notice and affording the Owner an opportunity to be heard, with or without counsel, with respect to the violation(s) asserted.

Further, any Owner who is aggrieved by any decision of the ADR Committee shall have the right to appeal such decision to a court of competent jurisdiction. Any dispute between or among Owners or with the Villa Homes Condominium Association, other than collection matters, must first be submitted to the ADR Committee for mediation or non-binding arbitration before any litigation is commenced with respect to the dispute in question, all as contemplated by N.J.S.A. 45:22A-44(c) and Section 12.02 hereof. If there is not an appeal to a court of competent jurisdiction within forty-five (45) days of the decision by the ADR Committee, the decision of the ADR Committee shall be binding on all parties and shall have full force and effect under the laws of the State of New Jersey. The expenses for mediations or non-binding arbitration are Common Expenses of the Villa Homes Condominium Association. However, if the Owner requests binding arbitration, then the expenses are shared equally between the Owner and the Villa Homes Condominium Association unless the arbitrator determines otherwise. Moreover, nothing herein shall prevent the Villa Homes Condominium Association from charging a reasonable application fee to any party who request mediation or arbitration.

b. Mediation Alternative. Prior to the commencement of any non-binding arbitration hearing by the ADR Committee pursuant to Section 12.01, any party to the

dispute, or the ADR Committee on its own motion, may request mediation of the dispute by an impartial mediator appointed by the ADR Committee in order to attempt to settle the dispute in good faith. Such mediator may be a member of the ADR Committee, its counsel or any other qualified mediator. Any such mediation shall be concluded within fifteen (15) days after such request, unless extended by the mediator for good cause. In the event that no settlement is reached within said fifteen (15) day period, all relevant time periods in the hearing process shall be extended for fifteen (15) days plus any extension period.

12.06. Compliance by Members. Each Member shall comply with an shall assume ownership or occupancy subject to the laws, rules and regulations of governmental authorities having jurisdiction over the Villa Homes Condominium, and the provisions of the Master Deed, the Certificate of Incorporation and By-Laws of the Villa Homes Condominium Association, Rules and Regulations or any other documents, amendments or supplements to the foregoing. Failure to comply with any of the foregoing shall be grounds for commencement of action for the recovery of damages, or for injunctive relief, or both, by the Developer, the Villa Homes Condominium Association, or any Member, in any court or administrative tribunal having jurisdiction, against any person or persons, firm or corporation violating or attempting to violate or circumvent any of the aforesaid, and against any Member, to enforce any lien created by the Master Deed or any covenant contained therein. Failure by the Developer, the Villa Homes Condominium Association, or any Member to enforce any covenant therein contained for any period of time shall in no event be deemed a waiver or estoppel of the right to thereafter enforce same.

12.07. Civil Action for Damages. The Villa Homes Condominium Association shall not be liable in any civil action brought by or on behalf of an Owner to respond in damages as a

result of bodily injury to the Owner occurring on the premises of the Villa Homes Condominium Association except as a result of willful, wanton or the grossly negligent act or commission or omission.

ARTICLE XIII
AMENDMENTS

13.01. Procedure for Amending. Subject to the restrictions in Section 13.02 of these By-Laws, these By-Laws may be altered or repealed, or new By-Laws may be made, at any meeting of the Villa Homes Condominium Association duly held for such purpose, and previous to which written notice to Owners of the exact language of the amendment or of the repeal shall have been sent, a quorum being present, by an affirmative vote of 51% of all of the Owners in the Villa Homes Condominium, in person or by proxy.

13.02. Prohibition. Despite anything contained herein to the contrary in any Article of these By-Laws,

- (a) The first annual meeting may not be advanced;
- (b) The first Board (including replacements in case of vacancies) may not be enlarged or removed;
- (c) The obligation or the proportionate responsibility for the payment of Common Expenses with respect to Villa Homes or the Common Elements may not be changed by reason of any such new By-Law, amendment or repeal;
- (d) No such new By-Law, amendment or repeal shall in any way affect the Developer, or its respective successor, unless the Developer, or its respective successor, has given its prior written consent thereto; and

- (e) No amendment shall revoke or diminish the delegation of any power or duty to the Board.

The Developer shall not be permitted to cast any votes held by him for unsold lots; parcels, units or interests for the purpose of amending the Master Deed, these By-Laws or any other document for the purpose of changing the permitted use of a lot, parcel, unit or interest, or for the purpose of reducing the common elements or facilities or for electing Owner Directors.

ARTICLE XIV

CONFLICT; INVALIDITY

14.01. Conflict. Despite anything to the contrary herein, if any provision of these By-Laws is in conflict with or contradiction of the Master Deed, the Certificate of Incorporation or with the requirements of any law, then the requirements of the Master Deed or law shall be deemed controlling.

14.02. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the enforceability of the remaining provisions of the By-Laws.

ARTICLE XV

NOTICE

15.01. Notice to Owners. Any notice required to be sent to any Owner or Eligible Mortgage Holder under the provisions of the Master Deed, the Certificate of Incorporation or these By-Laws shall be deemed to have been properly sent and notice thereby given, when mailed, by regular post with postage prepaid, addressed to the Owner at the last known post office address of the person who appears as a member on the records of the Villa Homes Condominium Association at the time of such mailing. Notice to one of two or more Co-Owners of a Villa Home shall constitute notice to all Co-Owners. Valid notice may also be given to

Owners by (i) personal delivery to any occupant of said Villa Home over 14 years of age or (ii) by affixing said notice to or sliding same under the front door of any Villa Home.

15.02. Notice of Change of Address. It shall be the obligation of every Owner to immediately notify the Secretary of the Villa Homes Condominium Association in writing of any change of address.

ARTICLE XVI

CORPORATE SEAL

The Villa Homes Condominium Association shall have a seal in circular form having within its circumference the words "Cinnaminson Harbour Villa Homes Condominium Association, Inc."