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Prepared by W. Talmage Jones, Attorney

STATE OF NORTH CAROLINA,
COUNTY OF NEW HANOVER.

LOIS C LERAY
REGISTRAR
NEW HANOVER CO., N.C.
DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS

THIS DECLARATION, made this the 19th day of FEBRUARY, 1980, by H. MOSLEY HUSSEY, JR. AND WIFE, MARGUERITE LANE HUSSEY, HUGH MOSLEY HUSSEY, III, AND WIFE, ELEANOR MOORE HUSSEY, AND WILLIAM THADEUS CAMP AND WIFE, MARTHA H. CAMP, all of Wilson County, North Carolina, hereinafter called the Declarants;

WHEREAS, Declarants are the owners of certain property in the Town of Wrightsville Beach, New Hanover County, North Carolina, which is more particularly described as follows:

ALL of that property shown on a map of CLUB COLONY TOWNHOUSES, PHASE II, as recorded in Condominium Plat Book 2 at Page 2, of the New Hanover County Registry.

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NOW, THEREFORE, Declarants hereby declare that all of the properties described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions which are for the purpose of protecting the value and desirability of and which shall run with the real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

USE RESTRICTIONS. The use of the property shall be in accordance with the following provisions:

(a) Each of the Townhouses shall be occupied only by a family, its servants, and guests, as a residence and for no other purposes. No Townhouse may be divided or subdivided into a smaller unit nor any portion of the unit or attendant common areas be sold or otherwise transferred.

(b) The Common Areas and Elements shall be used only for the purposes for which they are intended in the furnishing of services and facilities for the enjoyment of the Townhouses.

(c) No use or practice shall be permitted on the Townhouse Property which is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the property by its residents. All parts of the property shall be kept in a clean and sanitary

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W. Talmage Jones

condition, and no rubbish, refuse or garbage allowed to accumulate nor any fire hazard allowed to exist. No Townhouse Owner shall permit any use of his Townhouse or of the Common Elements which will increase the rate of insurance upon the Townhouse Property. No immoral, improper, offensive or unlawful use shall be made of the Townhouse Property or any part thereof. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. No single rooms may be rented:

(d) Reasonable regulations concerning the use of the Townhouse Property may be made and amended from time to time by the CLUB COLONY TOWNHOUSES, PHASE II HOMEOWNER'S ASSOCIATION in the manner provided by its Bylaws. Copies of such Bylaws, regulations and amendments thereto are attached hereto and incorporated herein by reference and constitute a part of these covenants, conditions and restrictions as much as if they were set out herein verbatim.

ARTICLE II

Section 1. ENFORCEMENT. The Association or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any of the other provisions which shall remain in full force and effect.

Section 3. AMENDMENT. The covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, the Owners of any Townhouse, their respective legal representatives, heirs, successors and assigns. Said covenants and restrictions of this Declaration may be amended at any time by an instrument signed by not less than 100 percent of the Townhouse Owners. Provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements, as herein provided, or affect

any lien for the payment thereof established herein. Any amendment must be properly recorded.

IN WITNESS WHEREOF, the Declarants have hereunto set their hands and seals on the day and year first hereinabove written.

H. Mosley Hussey, Jr. (SEAL)
H. MOSLEY HUSSEY, JR.

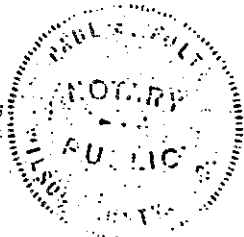
Marguerite Lane Hussey (SEAL)
MARGUERITE LANE HUSSEY

Hugh Mosley Hussey, III (SEAL)
HUGH MOSLEY HUSSEY, III

Eleanor Moore Hussey (SEAL)
ELEANOR MOORE HUSSEY

William Thadeus Camp (SEAL)
WILLIAM THADEUS CAMP

Martha H. Camp (SEAL)
MARTHA H. CAMP



STATE OF NORTH CAROLINA,
COUNTY OF WILSON.

PERSONALLY appeared before me, Paul E. Foltz, a Notary Public in and for the said County and State, H. MOSLEY HUSSEY, JR. AND WIFE, MARGUERITE LANE HUSSEY, HUGH MOSLEY HUSSEY, III AND WIFE, ELEANOR MOORE HUSSEY, AND WILLIAM THADEUS CAMP AND WIFE, MARTHA H. CAMP, Declarants, who acknowledged the due execution of the foregoing instrument for the uses and purposes therein expressed.

WITNESS my hand and notarial seal, this the 19 day of Feb, 1980.

Paul E. Foltz
NOTARY PUBLIC

My commission expires: Oct 7th, 1981

(SEAL)
STATE OF NORTH CAROLINA,
COUNTY OF NEW HANOVER.

The foregoing certificate of Paul E Foltz a Notary Public of Wilson County is hereby certified to be correct.

THIS 6 day of March, 1980.

Lois C LeRay
REGISTER OF DEEDS, New Hanover County, N. C.

BY: Arnold P. Mintz
ASS'T Deputy

EXHIBIT "A"
Rules and Regulations
OF
CLUB COLONY TOWNHOUSES PHASE II

1. The walkways in front of the Townhouses and the entranceways to the Townhouses shall not be obstructed or used for any purpose other than ingress and egress from the Townhouses.
2. No exterior of any Townhouse shall be decorated by any owner in any manner without prior consent of the Board of Managers.
3. No boats, trailers, bicycles, scooters, baby carriages, or similar vehicles or toys or other personal articles shall be allowed to stand in any of the common areas.
4. No owner shall make or permit any noises that will disturb or annoy the occupants of any of the Townhouses in the development or do or permit anything to be done which will interfere with the rights, comfort or convenience of the other owners.
5. Each owner shall keep such owner's Townhouse in a good state of preservation and cleanliness, and shall not sweep or throw or permit to be swept or thrown therefrom, or from the doors or windows thereof, any dirt or other substance.
6. No shades, awnings, window guards, ventilators, fans, or air conditioning devices shall be used in or about the buildings except such as shall have been approved by the Board of Managers.
7. All garbage and refuse from the Townhouses shall be deposited with care in garbage containers intended for such purpose only at such times and in such manner as the Board of Managers may direct.
8. No bird or animal shall be kept or harbored in the development unless the same in each instance be expressly permitted in writing by the Board of Managers. In no event shall dogs be permitted in any of the public portions of the development unless carried or on leash. The owner shall indemnify the Board of Managers and hold it harmless against any loss or liability of any kind or character whatsoever arising from or growing out of having any animal in the development.
9. No industry, business, trade, occupation, or profession of any kind, commercial, religious, educational, or otherwise, designed for profit, altruism, or otherwise, shall be conducted, maintained, or permitted on any part of the Property, nor shall any "For Sale", "For Rent", or "For Lease" signs or other window displays or advertising be maintained or permitted on any part of the Property or in any Unit therein.
10. Nothing shall be altered or constructed in or removed from the General Common Area or Elements, except upon the written consent of the Board of Managers.
11. All radio, television, or other electrical equipment of any kind or nature installed or used in each unit shall fully comply with all rules, regulations, requirements, or recommendations of the Board of Fire Underwriters and the public authorities having jurisdiction, and the unit owner alone shall be liable for any damage or injury caused by any radio, television, or other electrical equipment in such unit.
12. The agents of the Board of Managers and any contractor or workman authorized by the Board of Managers may enter any room or unit in the building at any reasonable hour of the day after notification (except in case of emergency) for the purpose of inspecting such unit for the presence of any

vermin, insects, or other pests and for the purpose of taking such measures as may be necessary to control or exterminate any such vermin, insects or other pests.

13. No vehicle belonging to an owner or to a member of the family or guest, tenant, or employee of an owner shall be parked in such manner as to impede or prevent ready access to another owner's unit. The owners, their employees, servants, agents, visitors, licensees, and the owner's family will obey the parking regulations posted on the private streets and drives and any other traffic regulations promulgated in the future for the safety, comfort and convenience of the owners.

14. All damage to the Townhouses caused by the moving or carrying of any article therein shall be paid by the owner responsible for the presence of such article.

15. No owner shall use or permit to be brought into the Townhouses any inflammable oils or fluids such as gasoline, kerosine, naptha, or benzine or other explosives or articles deemed extra hazardous to life, limb or property, without in each case obtaining written consent of the Board of Managers.

16. The owners shall not be allowed to put their names on any entry of the Townhouses except in the proper places provided for such purpose.

17. No owner shall do any painting of the exterior of the Townhouses without the written consent of the Board of Managers.

18. Draperies, blinds or curtains must be installed by each Unit Owner on all windows of his unit and must be maintained in such windows at all times.

19. Any owner wishing to plant flowers, trees or shrubs outside of his Limited Common Area must obtain written permission from the Board of Managers before doing so.

20. Any damage to the buildings, recreational facilities or other common areas or equipment caused by a unit owner's children or guests shall be repaired at the expense of that unit owner.

21. Any consent or approval given under these Community Rules by the Board of Managers shall be revocable at any time.

22. These Community Rules may be added to or repealed at any time by the Board of Managers.

BYLAWS
OF
CLUB COLONY TOWNHOUSES PHASE II OWNERS ASSOCIATION

ARTICLE I

Plan of Townhouse Unit Ownership

Section 1. TOWNHOUSE UNIT OWNERSHIP. The property located off Mallard Street, Wrightsville Beach, North Carolina, hereinafter called Club Colony Townhouses Phase II has been platted and a map thereof is recorded in the Office of the Register of Deeds of New Hanover County, North Carolina in Condominium Plat Book 2, at Page 2.

Section 2. APPLICABILITY OF BYLAWS. The provisions of these Bylaws are applicable to CLUB COLONY TOWNHOUSES PHASE II, and its common elements and to the use and occupancy thereof. The term "CLUB COLONY TOWNHOUSES PHASE II and its common elements" as used herein shall include the land, the building and all other improvements thereon, all easements, rights and appurtenances belonging thereto, and all other property, personal or mixed, intended for use in connection therewith.

Section 3. APPLICATION. All present and future owners, mortgagees, lessees, and occupants of Townhouse Units and their employees and any other persons who may use the facilities in any manner are subject to these Bylaws, the declaration and rules and regulations pertaining to the use and operation of the Townhouse Property. The acceptance of a deed or conveyance, or the entering into of a lease, or the act of occupancy of a unit shall constitute an acceptance of the provisions of these instruments and an agreement to comply therewith.

Section 4. OFFICE. The office of the Owners Association and of the Board of Managers shall be located at Intracoastal Realty, 534 Causeway Drive, Wrightsville Beach, North Carolina 28480.

ARTICLE II

BOARD OF MANAGERS

Section 1. NUMBER AND QUALIFICATION. The affairs of the Townhouse Property and Owners Association shall be governed by a Board of Managers. The Board of Managers shall be composed of two (2) persons, each of whom shall be an owner or spouse of an owner of a separate Townhouse unit, or in the case of partnership owners or mortgagees, shall be members or employees of such partnership, or in the case of corporate owners or mortgagees, shall be officers, shareholders, or employees of such corporations or in the case of fiduciary owners or mortgagees shall be the fiduciaries, or officers or employees of such fiduciaries.

Section 2. **POWERS AND DUTIES.** The Board of Managers shall have the powers and duties necessary for the administration of the affairs of the Townhouse and Common Elements except such powers and duties as by law or by these Bylaws may not be delegated to the Board of Managers by the unit owners. The powers and duties to be exercised by the Board of Managers shall include, but not be limited to, the following:

- (a) Operation, care, upkeep and maintenance of the common elements;
- (b) Determination of the amounts required for operation, maintenance and other affairs of the Townhouses and Common Elements.
- (c) Collection of the common charges from the unit owners;
- (d) Employment and dismissal of personnel as necessary for efficient maintenance and operation;
- (e) Adoption and amendment of rules and regulations covering the details of the operation and use of the Townhouses and Common Elements;
- (f) Opening of bank accounts on behalf of the Owners Association and designating the signatures required therefor;
- (g) Obtaining insurance for the Townhouse Units, and Common Elements pursuant to the provisions of Article V, Section 2 hereof; and
- (h) Making repairs, additions, and improvements to, or alterations of, the property and repairs to and restoration of the property in accordance with the other provisions of these Bylaws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

Section 3. **ELECTION AND TERM OF OFFICE.** At the first annual meeting of the unit owners, the term of office of the members of the Board of Managers shall be fixed at one (1) year. At the expiration of the initial term of office of each respective member of the Board of Managers, his successor shall be elected to serve for a term of one (1) year. The members of the Board of Managers shall hold office until their respective successors shall have been elected by the unit owners.

Section 4. **VACANCIES.** Vacancies in the Board of Managers caused by any reason shall be filled by vote of a majority of the unit owners with one vote per unit, at a special meeting of the

unit owners held for that purpose promptly after the occurrence of any such vacancy. Each person so elected shall be a member of the Board of Managers for the remainder of the term of the member so removed.

Section 5. ORGANIZATION MEETING. The first meeting of the members of the Board of Managers following the annual meeting of the unit owners shall be held within ten days thereafter, at such time and place as shall be fixed by the unit owners at the meeting at which such Board of Managers shall have been elected and no notice shall be necessary to the newly elected members of the Board of Managers in order legally to constitute such meeting, providing a majority of the whole Board of Managers shall be present thereat.

Section 6. REGULAR MEETINGS. Regular meetings of the Board of Managers may be held at such time and place as shall be determined from time to time by the members of the Board of Managers, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Managers shall be given to each member of the Board of Managers, by mail or telegraph, at least three business days prior to the day named for such meeting.

Section 7. SPECIAL MEETINGS. Special meetings of the Board of Managers may be called by any board member on three business days' notice to each member of the Board of Managers, given by mail or telegraph, which notice shall state the time, place and purpose of the meetings.

Section 8. WAIVER OF NOTICE. Any member of the Board of Managers may, at any time, waive notice of any meeting of the Board of Managers in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Managers at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all the members of the Board of Managers are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 9. QUORUM OF BOARD OF MANAGERS. At all meetings of the Board of Managers, all members thereof must attend to constitute a quorum for the transaction of business, and the votes of all of the members of the Board of Managers shall constitute the decision of the Board of Managers. If at any meeting of the Board of Managers there shall be less than a quorum present, the Board members present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 10. COMPENSATION. No member of the Board of Managers shall receive any compensation from the Association for acting as

such.

Section 11. DEADLOCK. In any deadlock in the voting between the Board of Managers, the members of the Board agree to break said deadlock by subjecting themselves to the provisions of the North Carolina Uniform Arbitration Act, North Carolina General Statute 1-544.

ARTICLE III

UNIT OWNERS

Section 1. ANNUAL MEETINGS. Promptly after Townhouse Units representing one hundred percent in common interest shall have been sold by the developer and paid for, the developer shall notify all unit owners thereof, and the first annual meeting of the unit owners shall be held within thirty (30) days thereafter. At such meeting all the unit owners shall elect a Board of Managers. Thereafter, the annual meetings of the unit owners shall be held on the 15th day of January, of each succeeding year, unless such date shall occur on a Saturday, or Sunday, in which event, the meeting shall be held on the succeeding Monday. At such meeting the Board of Managers shall be elected by ballot of the unit owners in accordance with the requirements of Section 4 of Article II of these Bylaws.

Section 2. PLACE OF MEETINGS. Meetings of the unit owners shall be held at the principal office of the Townhouses or at such other suitable place convenient to the owners as may be designated by the Board of Managers.

Section 3. SPECIAL MEETINGS. It shall be the duty of the President to call a special meeting of the unit owners if so directed by resolution of the Board of Managers or upon a petition signed and presented to the Secretary by unit owners owning a total of at least fifty percent of the common interest. The notice of any special meeting shall state the time, place and purpose of the meeting. No business shall be transacted at a special meeting except as stated in the notice.

Section 4. NOTICE OF MEETINGS. The Secretary shall mail to each unit owner of record a notice of each annual or special meeting of the unit owners, at least ten days but not more than twenty days prior to such meeting, stating the purpose thereof as well as the time and place where it is to be held, at the building or at such other address as such unit owner shall have designated by notice in writing to the Secretary. The mailing of a notice of meeting in the manner provided in this section shall be considered service of notice.

Section 5. ADJOURNMENT OF MEETINGS. If any meeting of unit owners cannot be held because a quorum has not attended, a majority in common interest of the Unit Owners who are present at such meeting, either in person or by proxy, may adjourn the meeting

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to a time not more than forty-eight hours from the time the original meeting was called.

Section 6. ORDER OF BUSINESS. The order of business at all meetings of the Unit Owners shall be as follows:

- (a) Roll Call;
- (b) Proof of Notice of Meeting;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of Officers;
- (e) Report of Board of Managers;
- (f) Reports of Committees;
- (g) Election of members of the Board of Managers (when so required);
- (h) Unfinished business; and
- (i) New business.

Section 7. TITLE TO TOWNHOUSE UNITS. Title to Townhouse Units may be taken in the name of an individual or in the names of two or more persons, as tenants in common or as joint tenants, or as tenants by the entirety, or in the name of a corporation or partnership, or in the name of a fiduciary.

Section 8. VOTING. The owner or owners of each Townhouse Unit, or some person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner, shall be entitled to cast the votes appurtenant to such Townhouse Unit at all meetings of unit owners. The designation of any such proxy shall be made in writing to the Secretary, and shall be revocable at any time by written notice to the Secretary by the Owner or Owners so designating. The total number of votes of all Unit Owners shall be 2 and each unit owner shall be entitled to cast one vote at all meetings of the unit owners. A fiduciary shall be the voting member with respect to any Townhouse Unit owned in a fiduciary capacity.

Section 9. MAJORITY OF UNIT OWNERS. As used in these Bylaws the term "majority of unit owners" shall mean those unit owners having one hundred percent of the total authorized votes of all unit owners in person or by proxy and voting at any meeting of the unit owners, determined in accordance with the provisions of Section 8 of this Article.

Section 10. QUORUM. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Unit Owners having one hundred percent of the total authorized votes of all unit owners shall constitute a quorum at all meetings of the unit owners.

Section 11. MAJORITY VOTE. The vote of a majority of unit owners at a meeting at which a quorum shall be present shall be binding upon all unit owners for all purposes except where a higher percentage vote is required by law, or by these bylaws.

Section 12. DEADLOCK. In any deadlock in the voting the unit owners agree to break said deadlock by subjecting themselves to the N. C. Uniform Arbitration Act, N. C. G. S. 1-544.

ARTICLE IV

OFFICERS

Section 1. DESIGNATION. The principal officers of the Owners Association shall be the President and Secretary and Treasurer, all of whom shall be elected by the Board of Managers. The Board of Managers may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in its judgment may be necessary. The President and Secretary and Treasurer must be members of the Board of Managers.

Section 2. ELECTION OF OFFICERS. Officers shall be elected annually by the Board of Managers.

Section 3. REMOVAL OF OFFICERS. Upon the affirmative vote of a majority of the members of the Board of Managers, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Managers or at any special meeting of the Board of Managers called for such purpose.

Section 4. PRESIDENT. The President shall be the chief executive officer of the Owners Association. He shall preside at all meetings of the unit owners and of the Board of Managers. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the Business Corporation Law of the State of North Carolina including but not limited to the power to appoint from among the unit owners any committee which he decides is appropriate to assist in the conduct of the affairs of the Owners Association.

Section 5. SECRETARY. The Secretary shall keep the minutes of all meetings of the unit owners and of the Board of Managers; he shall have charge of such books and papers as the Board of Managers may direct; and he shall, in general, perform all the duties incident to the office of Secretary of a corporation organized under the Business Corporation Law of the State of North Carolina.

Section 6. TREASURER. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial statements. He shall be responsible for the deposit of all moneys and other valuable effects in the name of the Board of Managers, in such depositories as may from time to time be designated by the Board of Managers, and he shall, in general, perform all the duties incident to the office of treasurer of a corpora-

tion organized under the Business Corporation Law of the State of North Carolina.

Section 7. AGREEMENTS, CONTRACTS, DEEDS, CHECKS, ETC. All agreements, contracts, deeds, leases and other instruments of the Association shall be executed by the President and Secretary of the Association and checks are to be executed by such person or persons as may be designated by the Board of Managers.

Section 8. COMPENSATION OF OFFICERS. No officer shall receive any compensation from the Association for acting as such.

ARTICLE V

Operation of the Property

Section 1. DETERMINATION OF COMMON EXPENSES AND COMMON CHARGES. The Board of Managers shall from time to time and at least annually, prepare a budget for the Association, determine the amount of the common charges required to meet the common expenses of the Association and allocate and assess such common charges against the unit owners according to their respective common interests. The common expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Board of Managers pursuant to the provisions of Section 2 of this Article V. The common expenses may also include such amounts as the Board of Managers may deem proper for the operation and maintenance of the Common Elements including, without limitation, an amount for working capital of the Association, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the common expenses for any prior year.

Section 2. INSURANCE. The Board of Managers shall be required to obtain and maintain, to the extent obtainable, the following insurance:

a. Fire insurance with extended coverage, vandalism and malicious mischief endorsements, insuring the entire Townhouse Building and fixtures, but not including furniture, furnishings or other personal property supplied or installed by Unit Owners); such insurance shall cover the Association, the Board of Managers and all unit owners and their mortgagees, as their interests may appear, in an amount equal to the full replacement value of the building, without deduction for depreciation. Each policy shall contain a North Carolina standard mortgagee clause in favor of each mortgagee of a Townhouse Unit which shall provide that proceeds shall be payable to such mortgagee as its interest may appear, subject, however, to payment provisions in favor of the Board of Managers.

b. Wind damage insurance.

c. Water damage insurance; and

d. Such other insurance as the Board of Managers may determine.

All such policies shall provide that adjustment of loss shall be made by the Board of Managers.

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All policies of physical damage insurance shall contain waivers of subrogation and waivers of any defense based on coinsurance or invalidity arising from any acts of the insured, and shall provide that such policies may not be cancelled or substantially modified without at least ten days' prior written notice to all of the insureds, including all mortgagees of Townhouse Units. Duplicate originals of all policies of physical damage insurance and of all renewals thereof, together with proof of payment of premiums, shall be delivered to all mortgagees of Townhouse Units at least ten (10) days prior to the expiration of the then current policies. Prior to obtaining any policy of fire insurance or any renewal thereof, the Board of Managers shall obtain an appraisal from a fire insurance company or otherwise of the full replacement value of the building, including all of the Townhouse Units and all of the common elements therein, without deduction for depreciation, for the purpose of determining the amount of fire insurance to be effected pursuant to this section.

The Board of Managers shall also be required to obtain and maintain to the extent obtainable, public liability insurance in such limits as the Board of Managers may, from time to time, determine covering each member of the Board of Managers, and each Unit Owner. Such public liability coverage shall also cover cross liability claims of one insured against another. The Board of Managers shall review such limits once each year.

The unit owners shall not be prohibited from carrying other insurance for their own benefit provided that all policies shall contain waivers of subrogation and further provided, that the liability of the carriers issuing insurance obtained by the Board of Managers shall not be affected or diminished by reason of any such additional insurance carried by any unit owner.

Section 3. REPAIR OR RECONSTRUCTION AFTER DAMAGE. In the event of damage to or destruction of the building as a result of fire or other casualty, (unless 75% or more of the building is destroyed or substantially damaged and 100% of the unit owners do not duly and promptly resolve to proceed with repair or restoration), the Board of Managers shall arrange for the prompt repair and restoration of the Building (including any damaged Townhouse Units, and any kitchen or bathroom fixtures initially installed therein but not including any wall, ceiling or floor decoration or coverings or other furniture, furnishings, fixtures, or equipment installed by unit owners in the Townhouse Units), and the Board of Managers shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration in appropriate progress payments. Any cost of such repair and restoration in excess of the insurance proceeds shall constitute a common expense and the Board of Managers may assess the unit owners for such deficit as part of the common charges.

If 75% of the building is destroyed or substantially damaged, and 100% of the unit owners do not duly and promptly resolve to proceed with repair or restoration, the property shall be subject to an action for partition at the suit of any unit owner or lienor, as if in common, in which event the net proceeds of sale, together with the net proceeds of insurance policies (or if there shall have been a repair or restoration pursuant to the first paragraph of this Section 3, and the amount

of insurance proceeds shall have exceeded the cost of such repair or restoration then the excess of such insurance proceeds) shall be divided by the Board of Managers among all the unit owners in proportion to their respective common interests, after first paying out of the share of each unit owner the amount of any unpaid liens on his Townhouse Unit, in the order of the priority of such liens.

Section 4. PAYMENT OF COMMON CHARGES. All unit owners shall be obligated to pay the common charges assessed by the Board of Managers pursuant to the provisions of Section 1 of this Article V at such time or times as the Board of Managers shall determine.

No Unit owner shall be liable for the payment of any part of the common charges assessed against his Townhouse Unit subsequent to a sale, transfer, or other conveyance by him thereof. A purchaser of a Townhouse Unit shall be liable for the payment of common charges assessed against such Townhouse Unit prior to the acquisition by him of such Townhouse Unit, except that a mortgagee or other purchaser of a Townhouse Unit at a foreclosure sale of such Townhouse Unit shall not be liable for and such Townhouse Unit shall not be subject to a lien for the payment of common charges assessed prior to the foreclosure sale.

Section 5. COLLECTION OF ASSESSMENTS. The Board of Managers shall assess common charges against the unit owners from time to time and at least annually and shall take prompt action to collect from a unit owner any common charge which remains unpaid by him for more than thirty days from the due date for its payment.

Section 6. DEFAULT IN PAYMENT OF COMMON CHARGES. In the event of default by any unit owner in paying to the Board of Managers the assessed common charges, such unit owner shall be obligated to pay interest at the legal rate on such common charges from the due date thereof, together with all expenses, including attorney's fees, incurred by the Board of Managers in any proceeding brought to collect such unpaid common charges. The Board of Managers shall have the right and duty to attempt to recover such common charges, together with interest thereon, and the expenses of the proceeding, including attorney's fees, in an action brought against such unit owner, or by foreclosure of the lien on such Townhouse Unit which is hereby granted by all unit owners in favor of the Association for the enforcement of payment of delinquent common charges.

Section 7. FORECLOSURE OF LIENS FOR UNPAID COMMON CHARGES. In any action brought by the Board of Managers to foreclose a lien on a Townhouse Unit because of unpaid common charges, the unit owner shall be required to pay a reasonable rental for the use of his Townhouse Unit and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect such rental. A suit to recover a money judgment for unpaid common charges shall be maintainable without foreclosing or waiving the lien securing the same.

Section 8. STATEMENT OF COMMON CHARGES. The Board of

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Managers shall promptly provide any unit owner, who makes a request in writing with a written statement of his unpaid common charges.

Section 9. ABATEMENT AND ENJOINING OF VIOLATIONS. The violation of any rule or regulation adopted by the Board of Managers or the breach of any Bylaw contained herein, shall give the Board of Managers the right, in addition to any other rights set forth in these Bylaws: (a) to enter the Townhouse Unit in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting unit owner, any structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Managers shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

Section 10. MAINTENANCE AND REPAIR. (a) All maintenance of and repairs to any Townhouse Unit, structural or non-structural, ordinary or extraordinary, (other than maintenance of and repairs to any common elements contained therein not necessitated by the negligence, misuse, or neglect of the owner of such Townhouse Unit) shall be made by the owner of such Townhouse Unit. Each unit owner shall be responsible for all damages to any other Townhouse Unit and to the common elements resulting from his failure to effect such maintenance and repairs.

(b) All maintenance, repairs, and replacements to the common elements, whether located inside or outside of the Townhouse Units (unless necessitated by the negligence, misuse, or neglect of a unit owner, in which case, such expense shall be charged to such unit owner), shall be made by the Board of Managers and be charged to all the unit owners as a common expense.

Section 11. USE OF TOWNHOUSE UNITS. In order to provide for congenial occupancy of the Townhouse Units and for the protection of their values the use of the Townhouse Units shall be subject to the following limitations:

(a) The Townhouse Units shall be used for residences only.

(b) No portion of a Townhouse Unit other than the entire Townhouse Unit may be rented.

Section 12. ADDITIONS, ALTERATIONS, OR IMPROVEMENTS BY BOARD OF MANAGERS. Whenever in the judgment of the Board of Managers the common elements shall require additions, alterations, or improvements costing in excess of \$500.00, and the making of such additions, alterations, or improvements shall have been approved by a majority of the unit owners, the Board of Managers shall proceed with such additions, alterations, or improvements and shall assess all unit owners for the cost thereof as a common charge. Any additions, alterations or improvements costing \$500.00 or less may be made by the Board of Managers without approval of the unit owners.

Section 13. ADDITIONS, ALTERATIONS, OR IMPROVEMENTS BY UNIT OWNERS. No unit owner shall make any structural addition, alteration or improvement in or to his Townhouse Unit without the prior written