

BY-LAWS OF THE HIGHLANDS AT BERKELEY HEIGHTS
CONDOMINIUM ASSOCIATION, INC.

TABLE OF CONTENTS

		<u>PAGE(S)</u>
ARTICLE I	- NATURE OF BY-LAWS.....	1
1.01.	Purpose.....	1
1.02.	Definitions.....	1
1.03.	Fiscal Year.....	1
1.04.	Principal Office.....	1
ARTICLE II	- MEMBERSHIP AND VOTING RIGHTS.....	1
2.01.	Members.....	1
2.02.	Change of Membership.....	2
2.03.	Rights of Membership.....	2
2.04.	Suspension of Rights.....	3
2.05.	Membership Fees.....	3
2.06.	Votes.....	4
2.07.	Proxies.....	4
ARTICLE III	- MEETINGS OF UNIT OWNERS.....	5
3.01.	Place of Meetings.....	5
3.02.	First Annual Meeting and Regular Annual Meetings.....	5
3.03.	Special Meetings.....	6
3.04.	Notice of Meeting.....	6
3.05.	Quorum and Adjourned Meetings.....	7
3.06.	Organization.....	7
3.07.	Voting.....	8
3.08.	Member in Good Standing.....	9
3.09.	Inspectors.....	9
3.10.	Order of Business.....	10
ARTICLE IV	- BOARD OF DIRECTORS.....	10
4.01.	Express and Implied Powers and Duties...	10
4.02.	Number and Qualifications.....	11
4.03.	Election and Term of Office.....	12
4.04.	Developer's Protective Provisions.....	14
4.05.	Removal of Members of the Board.....	15
4.06.	Vacancies.....	16
4.07.	Meeting of the Board; Notices; Waiver of Notice.....	16
4.08.	Quorum and Adjourned Meetings.....	17
4.09.	Joinder in Meetings by Approval of Minutes.....	18
4.10.	Non-Waiver.....	19
4.11.	Consent in Lieu of Meeting and Vote.....	19
ARTICLE V	- POWERS AND DUTIES OF BOARD OF DIRECTORS.	19
5.01.	General Powers and Privileges.....	19
5.02.	Duties and Responsibilities.....	23
ARTICLE VI	- FISCAL MANAGEMENT.....	29
6.01.	Common Receipts.....	29

6.02.	Determination of Common Expenses.....	29
6.03.	Disbursements.....	30
6.04.	Depositories.....	30
6.05.	Accounts.....	30
6.06.	Reserves.....	32
6.07.	Exemption from Assessments for Capital Improvements.....	33
6.08.	Notice.....	34
6.09.	Acceleration of Assessment Installment Upon Default.....	34
6.10.	Interest and Counsel Fees.....	35
6.11.	Power of Attorney to Permitted Mortgage Holders.....	38
6.12.	Annual Audit.....	38
6.13.	Examination of Books.....	38
6.14.	Fidelity Bonds.....	39
ARTICLE VII -	OFFICERS.....	39
7.01.	Designation.....	39
7.02.	Election of Officers.....	39
7.03.	Removal of Officers.....	39
7.04.	Duties and Responsibilities of Officers.....	40
7.05.	Other Duties and Powers.....	41
7.06.	Eligibility of Directors.....	41
ARTICLE VIII -	COMPENSATION, INDEMNIFICATION AND EXCULPABILITY OF OFFICERS, DIRECTORS, AND COMMITTEE MEMBERS...	41
8.01.	Compensation.....	41
8.02.	Indemnification.....	42
8.03.	Exculpability.....	42
ARTICLE IX -	COVENANTS COMMITTEE.....	43
9.01.	Purpose.....	43
9.02.	Powers.....	43
9.03.	Authority.....	44
ARTICLE X -	ADDITIONS, ALTERATIONS OR IMPROVEMENTS BY THE ASSOCIATION....	44
ARTICLE XI -	ENFORCEMENT.....	46
11.01.	Enforcement.....	46
11.02.	Fines.....	46
11.03.	Waiver.....	46
11.04.	Costs of Enforcement.....	47
ARTICLE XII -	AMENDMENTS.....	47
ARTICLE XIII -	CONFLICT; INVALIDITY.....	48
13.01.	Conflict.....	48
13.02.	Invalidity.....	48
ARTICLE XIV -	NOTICE.....	48
ARTICLE XV -	ARBITRATION.....	49
ARTICLE XVI -	CORPORATE SEAL.....	49
ARTICLE XVII	49

ARTICLE XVIII	50
18.01.	Open Meetings.....	50
18.02.	Restrictions to Open Meetings.....	50
18.03.	Minutes at Open Meetings.....	51
18.04	Notice Requirements For Open Meetings...	51
18.05	Adequate Notice.....	51
18.06	Annual Posting of Open Meetings.....	52
18.07	Emergency Meetings.....	52

BY LAWS
OF
THE HIGHLANDS AT BERKELEY HEIGHTS CONDOMINIUM ASSOCIATION, INC.

ARTICLE I

NATURE OF BY-LAWS

1.01. Purpose. These By-Laws are intended to govern the administration of The Highlands at Berkeley Heights Condominium Association, Inc. a non-profit corporation organized under Title 15A of the New Jersey Statutes Annotated, and provide for the management, administration, utilization and maintenance of the Common Elements described in the Master Deed for The Highlands at Berkeley Heights, A Condominium.

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 72 Nova Drive, P.O. Box 6823, Piscataway, NJ 08855-6823.

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 Unit shall be a Member of the

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 Association. Despite anything to the contrary in the preceding, the Developer has one membership in the Association for each Unit, completed or prospective, which has not been conveyed to an individual purchaser.

2.02. Change of Membership. Change of membership shall be accomplished by recording in the Union County Register's Office a deed or other instrument establishing a record title to a Unit, and delivery to the Secretary of the Association of a certified copy of such instrument. The membership of the prior Unit Owner shall be thereby terminated.

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

- (a) Promulgate rules and regulations governing such use and enjoyment;
- (b) Suspend the use and enjoyment of the General Common Elements as provided in Section 2.04; and
- (c) Dedicate or transfer all or part of the General Common Elements, other than any Building in which any Units are contained, as provided in Section 5.01(n) hereof.

2.04. Suspension of Rights. The membership and voting rights of any Member may be suspended by the Board for any period during which any assessment against the Unit to which his membership is appurtenant remains unpaid; but upon payment of such assessments, and any interest accrued thereon, whether by check or cash his rights and privileges shall be immediately and automatically restored. 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 in the By-Laws, 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 Unit Owner is afforded an opportunity for a hearing consistent with the principles of due process of law.

2.05. Membership Fees. The Board will impose upon each Unit Owner, upon acquisition of title to his Unit, at the time of closing a non-refundable contribution to the Association in the amount of \$150.00, to be used for working capital. Payment of such fees shall be a condition precedent to membership in the Association. Any unpaid contribution shall be deemed a lien on the Unit with the same effect and which may be collected in the same manner as any unpaid Common Expenses attributable to such Unit. These fees shall apply to

all Unit Owners, irrespective of whether the acquisition of title to a Unit was from the Developer or upon any subsequent resale. These fees shall not apply to Developer.

2.06. Votes. Each Unit Owner shall be entitled to one (1) vote for each Unit to which he holds title as is provided in the Master Deed. When more than one person holds title, the vote for each Unit shall be exercised as the Co-Owners among themselves determine. When one or more Co-Owners signs 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 in a writing delivered to the Secretary of the Association before the vote(s) is counted.

2.07. Proxies. Proxy ballots 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 Association. All proxies shall be in writing, signed by all individual Unit 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 Association, or such other person as the President may designate, at least 24 hours prior to the commencement of the meeting at which ballots are to be cast. Proxies may be revoked at any time prior to the opening of the polls, and no proxy shall be voted on 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 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 Board.

ARTICLE III

MEETINGS OF UNIT OWNERS

3.01. Place of Meetings. All meetings of the Unit Owners of the Association shall be held at the 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 Unit Owners of the Association shall be held on the day and month of the year to be established by the Board, except that the first annual meeting shall be held not more than sixty (60) days after Unit Owners other than the Developer own twenty-five (25%) or more of the Units, or on such earlier date as the Developer in its sole discretion may elect. 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 Unit 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 or special meeting, special meetings of Unit Owners may be called by the President whenever he deems such a meeting advisable, or shall be called by the Secretary when so ordered by 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 Unit 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 Unit 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 law, notice of each meeting of Unit Owners, whether annual or special, shall be given not less than ten (10) days, nor more than ninety (90) days before the day on which the meeting is to be held, to each Unit Owner at his last known address, by delivering a written or printed notice thereof to said Unit Owner, or by mailing such notice, postage prepaid. Every such notice shall state the time and place of the meeting

and shall state briefly the purpose(s) thereof. Notice of any meeting of Unit Owners shall not be required to have been sent to any Unit Owners who shall attend such meeting in person or by proxy. Notice of any adjourned meeting of the Unit Owners shall not be required to be given except when expressly required by law. Except where otherwise expressly required by law, no publication of any notice of a meeting of Unit Owners shall be required.

3.05. Quorum and Adjourned Meetings. At such meeting of the Unit Owners, persons (including Developer or its representatives) holding ten (10%) percent of the authorized votes present in person or by proxy, shall constitute a quorum for the transaction of business except where otherwise provided by law. In the absence of a quorum, the persons holding votes present in person or by proxy and entitled to vote, by majority vote, 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 Association, the President, or, in his absence, the Vice President, or in the absence of both of them, a person chosen by a majority vote of the Unit Owners present in person or represented by proxy and entitled to vote thereat, shall act as a chairperson, and the Secretary, or in his absence, a person whom the Chairperson shall appoint, shall act as Secretary of

the Meeting.

3.07. Voting. Except as otherwise required by the Certificate of Incorporation, the Master Deed or any law, a quorum being present, a majority of votes present, in person or by proxy, shall be sufficient on those matters which are to be voted on by the Unit Owners. The election of Directors shall be by ballot. Unless determined by a majority of the votes of the Unit Owners present at such meeting, in person or by proxy, or determined by the chairperson of the meeting to be advisable, the vote on any other question need not be by ballot.

The Board, in lieu of calling a meeting of Unit Owners, may submit any question requiring the vote of the Unit Owners, including the election of Directors, to a ballot by mail. In order to conduct a ballot by mail, the Board shall serve a notice upon all Unit Owners entitled to vote which shall state with specificity in terms of motion(s) the question(s) upon which the vote is to be taken, state the date by which ballots must be received in order to be counted, provide an official ballot for the purposes of the vote, and, except in the case of election of Directors, state the date upon which the action contemplated by the motion(s) shall be effective, which date shall be no less than ten (10) days after the date ballots must be received. Except in the case of election of Directors (when a plurality of ballots by mail shall control), no actions contemplated by a ballot by mail shall be taken unless a majority in interest of all Unit Owners entitled to vote submit ballots approving such action. No

ballot by mail shall be valid, or tabulated unless the signature of the Unit Owner(s) submitting the ballot has been verified on the ballot according to the procedures established by the Board of Directors, if any. The Board shall appoint judges to tabulate the ballot whose report shall be included in the minute book.

3.08. Member in Good Standing. A member shall be deemed to be in good standing and entitled to vote at any annual meeting or at any special meeting of the Association if, and only if, he shall have fully paid all installments due for assessments made or levied against him and his Unit by the Directors as hereinafter provided, together with all interest, costs, attorney's fees, penalties and other expenses, if any properly chargeable to him and to his Unit, at least three (3) days prior to the date fixed for such meeting.

3.09. Inspectors. If at any meeting of the Unit Owners a vote by ballot shall be taken on any question, the chairperson of such meeting shall appoint two inspectors to act thereat with respect to such vote. Each Inspector so appointed shall first subscribe an oath to faithfully execute the duties of an Inspector at such meeting with strict impartiality and according to the best of his ability. Such Inspectors 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 Inspectors shall be in writing and subscribed and delivered by them to the Secretary of the meeting. The Inspectors need not be members of the Association, and any Officer or Director of the Association may be a Inspector on any question, other than a vote for or against his election to any position with the Association or any other question in which he may be directly interested.

3.10. Order of Business. The order of business at the annual meeting of the Unit Owners or at any special meetings 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 Inspectors of Election, if appropriate.
- (e) Election of Directors, if appropriate.
- (f) Receiving reports of officers.
- (g) Receiving reports of committees.
- (h) Old Business.
- (i) New Business.
- (j) Adjournment.

ARTICLE IV

BOARD OF DIRECTORS

4.01. Express and Implied Powers and Duties. The property, affairs and business of the 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.

4.02. Number and Qualifications.

(a) Until the first annual meeting of the membership of the 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 Unit Owners.

Thereafter, the Board shall consist of five (5) Directors (hereinafter referred to as Directors A, B, C, D and E). Within thirty (30) days after the Unit Owners other than Developer own twenty-five (25%) or more Units, the President shall call and give not less than twenty (20) nor more than thirty (30) days notice of a special meeting of the membership of the Association. At such special meeting, Unit Owners other than Developer shall be entitled to vote for and elect Directors A and B and Developer shall have the right to appoint the Directors C, D and E.

Thereafter, and within thirty (30) days after Unit Owners other than Developer own seventy-five (75%) percent or more of the Units, the President shall call and give not less than twenty (20) nor more than thirty (30) days notice of a special meeting of the membership of the Association. At such special meeting Unit Owners other than Developer shall be entitled to vote for all of the 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 Units and holds same for sale in the ordinary course of business.

(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 Units), 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; provided, however, that at least one of the Directors of the Board shall be a resident of the State of New Jersey.

(c) As a condition of standing for election or appointment as a Director elected or appointed by Unit Owners other than the Developer, a Unit Owner must be a member in good standing of the Association. The failure of a Director elected or appointed by Unit Owners other than the Developer to maintain membership in good standing during the Director's term of office shall constitute cause for removal pursuant to Section 4.05.

4.03. Election and Term of Office. At the first annual meeting of the membership that is called after Unit Owners other than the Developer own twenty-five (25%) percent or more of the Units, Directors A and B shall be elected by the Unit 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%) percent of all Units are owned by Unit Owners other than Developer. At said special meeting, Directors C, D and E shall be elected by Unit Owners other than Developer (subject, however, to Developer's right to appoint Director E as provided for in Section 4.02, 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 re-election, 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 are 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 of Directors has become vested in Directors elected by Unit Owners other than the Developer, and so long as the Developer owns at least one (1) Unit and holds same for sale in the ordinary course of business, the following shall apply:

(a) Neither the Association nor its Board of Directors shall take any action that will impair or adversely affect the rights of the Developer or 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 Units, or the assessment of the Developer for capital improvements.

(b) The 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 Association and the Board of Directors by Unit Owners other than the Developer.

(c) In furtherance of the foregoing provisions, the Sponsor shall have the right to veto any and all actions of the Association or its Board of Directors which violates Sections 4(a) and (b) above. The Developer shall exercise its veto right, in its sole and absolute 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 Association or its Board of Directors. In such event, the Developer shall notify the Secretary of the Association of its exercise of its veto right and any such proposal or action shall be null and void and have 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.

4.05. Removal of Members of the Board. At any duly held regular or special meeting of the Unit Owners, any one or more Directors may be removed with or without cause by a majority of the Unit 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 to be heard at the meeting. This provision shall not apply to any Director

appointed by the Developer. Despite the foregoing, the Developer, as the owner of Units, may not, acting alone, remove a Unit Owner-elected Director. In the event that all of the Unit Owner-elected Directors are removed, successors shall be elected by the Unit 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 Unit Owners of the 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 selected 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 annual meeting of Unit Owners, Developer shall have the right to fill all vacancies on the Board by appointment. Unit Owner-elected vacancies on the Board shall only be filled with Unit Owners other than 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 Unit Owners 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 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) days prior to the day of the meeting. Special meetings of the Board may be called by the President on three (3) 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. In the discretion of the Board, meetings of the Board or portions thereof, may be open to members of the Association for observation or participation in such manner and to the extent the Board may deem appropriate.

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 and 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, it shall not cause the Association to make any additions, alterations, improvements or purchases which would necessitate a Special Common Expense Assessment or a substantial increase in the Annual Common Expense Assessment unless required by a governmental agency, title insurance company, or institutional Lender designated by the Developer to insure mortgage loans to any Unit(s), or in the event of emergency.

4.09. Joinder in Meetings by Approval of Minutes.

The transaction of any business at any meeting of the board however called and noticed or wherever held, shall be valid as though a meeting duly held after regular call and notice, if a quorum is present; and if either before or after the meeting, each Director signs a written waiver of notice, or a consent to the holding of the meeting, or 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 of Directors shall have the power to take action on any matter on which it is authorized to act, without the necessity of a formal meeting and vote if the entire board, or all the Directors empowered to act, whichever the case may be, shall consent in writing to such action. This paragraph shall be subject to Article XVIII herein.

ARTICLE V

POWERS AND DUTIES OF BOARD OF DIRECTORS

5.01. General Powers and Privileges. 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 by law, or which may be necessarily implied:

(a) Employ, by contract or otherwise, a manager, managing agent or an independent contractor, to oversee, supervise and carry out the responsibilities of the Board. Any manager or independent contractor shall be compensated upon such terms as the Board deems necessary and proper;

(b) To employ any person, firm or corporation to repair, maintain or renovate the Common Elements of the Condominium; 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 Property; and

(c) Employ professional counsel and to obtain advice from persons, firms or corporation such as, but not limited to, landscape architects, engineers, lawyers and accountants; and while the Developer maintains a majority of the executive board, he shall have an audit of association funds prepared by an independent accountant, a copy of which shall be delivered to each Unit Owner within 90 days of the expiration of the fiscal year of the association. The audit shall cover the operating budget and reserve accounts.

(d) To employ or contract for water and sewer, electricity and gas or other forms of utilities, cable or master antenna television, including but not limited to providing cable and/or master antenna television service as part of the common expense budget; and

(e) To adopt, amend, and publish Rules and Regulations covering the details of the operation and use of the Common Elements; and

(f) Secure full performance by Unit Owners or occupants of all items of maintenance for which they are responsible; and

(g) Coordinate the plans of Unit Owners and occupants of Units for moving their personal effects or property into the

Unit or out of it, with a view toward scheduling such movements so that there shall be a minimum of inconvenience to others; and

(h) Establish and enforce Rules and Regulations for parking by, and the assignment of parking spaces to, Unit Owners, subject to the provisions of the Master Deed, Certificate of Incorporation and these By-Laws; and

(i) Arrange for security protection as necessary; and

(j) Set minimum standards for floor coverings installed by all Unit Owners in Buildings, with the exception of Developer; and

(k) Enforce obligations of the Unit Owners and do anything and everything else necessary and proper for the sound management of the Condominium, including the right to bring or defend lawsuits to enforce the terms, conditions and restrictions contained in the Master Deed, these By-Laws, or the rules and regulations; and

(l) Borrow and repay monies giving notes, mortgages, or other security upon such term or terms as it deems necessary; and

(m) 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) Transfer, grant and obtain permits, easements,

licenses and other property rights with respect to the Common Elements and to contiguous lands for utilities, roads and other purposes necessary for proper operation of the Condominium; and

(o) Purchase or lease or otherwise acquire in the name of the Association or its designees, corporate or otherwise, on behalf of all Unit Owners within the Condominium, Units 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) Purchase Units within the Condominium at foreclosure or other judicial sales in the name of the association or its designees, corporate or otherwise, on behalf of all Unit Owners; and

(q) Sell, lease, mortgage (but not vote the votes appurtenant thereto) or otherwise deal with Units acquired by the Association, and sublease any such Units leased by the Association or its designees, on behalf of all Unit Owners; and

(r) Bring and defend actions by or against more than one Unit Owner which are pertinent to the operation of the Condominium, the health, safety or general welfare of the Unit Owners, or any other legal action to which the Unit Owners may consent in accordance with these By-Laws; and

(s) Appoint an Insurance Trustee, who shall not be a member of the 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) 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.

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

(a) Cause the General and Limited 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, lawn maintenance and clearing of snow from roadways and walkways as the Board may deem appropriate. All repairs and replacements shall be substantially similar to the original application and installation and shall be of first class quality.

(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 Association; and

(c) 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 when requested in writing at least twenty-one (21) days

in advance by members entitled to cast at least twenty-five (25%) percent of the total votes of the Association; and

(d) 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) Take such action as may be necessary to comply promptly with any and all orders or requirements affecting the premises maintained by the 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) Place and keep in force all insurance coverages required to be maintained by the Association, applicable to its property and members including, but not limited to:

(i) 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 on the Property, together with all service machinery appurtenant thereto as well as common personal property and supplies belonging to the Association, and covering the interest of the Association, the Board, the Developer, all

Unit Owners and any Mortgage Holder who has requested the Association in writing to be named as a loss payee, as their respective interests may appear, in an amount equal to the full replacement value of such improvements (exclusive of foundations and footings), without deduction for depreciation. The policy(ies) shall contain a standard mortgagee clause in favor of each applicable Mortgage Holder, its successors and assigns, which shall provide that the loss, if any, thereunder, shall be payable to each applicable Mortgage Holder, its successors and assigns as its interests may appear, subject to the loss payment provisions set forth in 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 Units. When a servicer is named as the mortgagee, its name must be followed by the phrase "its successors and assigns". Prior to obtaining any policy of fire insurance or any renewal thereof, the Board shall obtain a qualified appraisal of the full replacement value of the Units and Common Elements and the improvements located thereon, without deduction for depreciation, for the

purposes of determining the amount of fire insurance to be effected pursuant to this subparagraph. The amount of any deductible shall be determined by the Board, in its sole discretion.

(ii) Public Liability Insurance. To the extent obtainable, 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 Unit 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. Such public liability insurance shall be in a single limit of not less than \$1,000,000 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. Liability insurance indemnifying the

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Directors and Officers of the Association against the liability for errors and omissions occurring in connection with the performance of their duties, 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) Water Damage. Water damage legal liability insurance.

(vi) Flood Insurance. Flood hazard insurance in the event any of the insurable improvements to the Property are located within a federally designated zone of greater than minimal flood hazard and same is required by any Permitted Mortgage Holder having a Mortgage on any Unit(s).

(vii) Other Insurance. Such other insurance as the board may determine.

All policies shall (i) provide that adjustment of loss shall be made by the Board of Directors 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 structural portions and service machinery as is required by the Master Deed and these By-Laws; (iii) to the

extent obtainable contain agreed amount and violation guard endorsements; (iv) provide that the insurance will not be prejudiced by any act or omission of individual Members that are not under control of the 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 cancelled without at least thirty (30) days prior written notice to all of the named insureds, including all Unit Owners and Eligible Mortgage Holders.

Any insurance maintained by the Board may provide for such deductible amount as the Board may determine.

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

The premiums for all insurance and fidelity bonds carried by the Association shall be a Common Expense. However, the Board may allocate the cost of such premiums among Units in a proportion other than that utilized for common Expenses generally in the event the character or use of any Unit(s) results in increased risk, liability or replacement value of such Unit(s) (as determined by the respective insurance

carriers, their agents or brokers, or such other parties designated by the Board) and the increased premiums should equitably be borne by the particular Unit Owner(s), as determined in the discretion of the board; and

(g) To manage the fiscal affairs of the Association as hereinafter provided in Article VI.

ARTICLE VI

FISCAL MANAGEMENT

6.01. Common Receipts. The Board shall have the duty to collect from each Unit Owner, his, her, or their heirs, administrators, successors and assigns, as "Common Receipts", the proportionate part of the Common Expenses assessed against such Unit Owner as provided in the Master Deed, the Certificate of Incorporation, these By-Laws, and in accordance with applicable law.

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. While the Developer controls the Board of Directors of the Association, it shall make no additions, alterations, improvements or purchases not contemplated in the registered Public Offering Statement for the Condominium which would necessitate a special assessment or a substantial increase in the monthly common expense assessment unless required by a governmental agency, title insurance company, Permitted Mortgage Holder or in the event of an

emergency.

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, Certificate of Incorporation and applicable law.

6.04. Depositories. The depository of the Association shall be such a bank or banks as shall be designated from time to time by the Board and in which the monies of the 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 Association for payment of the obligations of the Association, if the proper fidelity bond is furnished to the Association.

6.05. Accounts. The receipts and expenditures of the 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. At the end of each year, the unexpended amount remaining in this

6.08. Notice. The Board shall give to each Unit Owner, in writing, and to any Permitted Mortgage Holder who requests same, notice of the amount estimated by the Board for Common Expenses for the management and operation of the Association for the next ensuing budget period, directed to the Unit 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. 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 a Unit 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 such accelerated amount upon notice to the Unit Owner, and if the delinquent installment has not been theretofore paid, 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) days after delivery of the notice to the Unit Owner, or not less than ten (10) days after the mailing of such notice to him by registered or certified mail, whichever shall first occur. If such notice is given and default shall continue for a period of thirty (30) days then the Board shall be required to accelerate the remaining installments of the assessment upon similar notice to the Unit Owner, and to file a lien for such accelerated assessment as permitted by law if the delinquent assessment has not been heretofore paid. In such latter event, the Board may, but will not be obligated, to also notify any Mortgage Holder holding a first mortgage which encumbers the Unit affected by such default or publish appropriate notice of such delinquency to the membership of the Association. If said default continues for a period of 90 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 a late charge of any reasonable amount and/or interest at the legal maximum rate permitted by law for the payment of delinquent real estate taxes, 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,

without litigation, which shall be defined as the commencement of any proceeding in any court of law, the Board may add to the aforesaid assessments or charges a sum or sums of twenty (20%) percent of the gross amount due as 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.

- (a) In the case of any action or proceeding brought or defended by the Association or the Board pursuant to the provisions of these By-Laws, the reasonable costs and expenses of preparation and litigation, including attorneys fees, shall be a Common Expense allocated to all Unit Owners. Despite the foregoing, if any such action is successfully pursued against a Unit Owner in order to collect assessments or enforce a restriction, rule or regulation, the Unit Owner shall pay all costs and attorney's fees necessitated by such enforcement. Such costs and attorney's fees may be collected as though they were a common expense assessment due and owing.
- (b) Money judgments recovered by the 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 Unit Owners the cost and expenses of litigation advanced by them; (3)

common charges, if the recovery thereof was the purpose of the litigation and costs and attorney's fees are not recoverable from the Unit Owner; (4) repair or reconstruction of the Common Elements if recovery of damages to same was the motivation for the litigation; and (5) any amount to be applied to (1), (2), (3) and (4) above shall be a set off against the common charges generally.

- (c) All Common Charges received and to be received by the Board, for the purpose of paying any judgment obtained against the Association or the Board and the right to receive such funds, shall constitute trust funds and the same shall be expended first for such purpose before expending any part of the same for any other purpose.
- (d) In the event that a Unit Owner(s) succeeds in obtaining a judgment or order against the 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 common charges for litigation expenses in relation to said action or proceeding.

6.11. Power of Attorney to Permitted Mortgage Holders. In the event the Board shall not cause the enforcement procedures provided above to be implemented within the time provided, any Permitted Mortgage Holder holding a first mortgage for any Unit 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 Association. This power of attorney is expressly stipulated to be coupled with an interest in the subject matter.

6.12. Annual Audit. The Board shall submit the books, records, and memoranda of the Association to an annual audit by an independent certified public accountant who shall audit the same and render a report thereon in writing to the Board and in summary form to the Unit Owners and such Permitted Mortgage Holders or other persons, firms or corporations as may be entitled to same. While the Developer maintains a majority of the executive board, he shall have an annual audit of association funds prepared by an independent accountant, a copy of which shall be delivered to each unit owner within 90 days of the expiration of the fiscal year of the association. The audit shall cover the operating budget and reserve accounts.

6.13. Examination of Books. Each Unit 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 has been given at least 10 days prior written notice of the Unit Owner's desire to make such an examination.

6.14. Fidelity Bonds. Fidelity bonds shall be required by the Board from all persons handling or responsible for Association funds. The amount of such bonds shall be determined by the Board. The premiums on such bonds shall be paid by the Association. While the Developer maintains a majority of representation on the executive board, it shall post a fidelity bond or other guarantee 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 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 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 Association. He shall preside at all meetings of the 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.

(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 do so 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 Association; he shall have charge of such books and papers as the Board may direct; and he 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 Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the

Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit of the 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. Nothin herein contained shall prohibit a Director from being an Officer.

ARTICLE VIII

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

8.01. Compensation. No compensation shall be paid to the President or the Vice President or any Director, or Committee Member for acting as such Officer or Director. The Secretary and/or Treasurer (excluding Developer appointees) may be compensated for their services if the Board determines that such compensation is appropriate. Nothing herein stated shall prevent any Officer or 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 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 Association, shall be indemnified by the Association against the actual amount of net loss including counsel fees, reasonably incurred by or imposed by him in connection with any action, suit or proceeding to which he may be party by reason of his being or having been a Director, Officer, or Committee Member of the Association, or delegee, 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 in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified had not been guilty of gross negligence or willful misconduct.

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 Unit Owner in any respect for any action or lack of action arising out of the execution of his office. Each Unit Owner shall be bound by the good faith actions of the Board, Officers and Committee Members of the Association, in the execution of the duties of said Directors, Officers and Committee Members. Nothing contained herein shall be construed as to exculpate members of the Board of Directors appointed by the Developer from discharging their fiduciary responsibilities.

ARTICLE IX
COVENANTS COMMITTEE

9.01. Purpose. The Board may establish a Covenants Committee, consisting of three members appointed by the Board, each to serve for a term of one year, in order to assure that the Condominium shall always be maintained in a manner:

- (1) Providing for visual harmony and soundness of repair;
- (2) Avoiding activities deleterious to the esthetic or property values of the Condominium;
- (3) Furthering the comfort of the Unit Owners, their guests, invitees and lessees; and
- (4) Promoting the general welfare and safety of the Condominium community.

9.02. Powers. The Covenants Committee shall regulate the external design, appearance, use and maintenance of the Common Elements in accordance with standards and guidelines contained in the Master Deed or By Laws or otherwise adopted by the Board. The Covenants Committee shall have the power to issue a cease and desist request to a Unit Owner, his guests, invitees, or lessess whose actions are inconsistent with the provisions of the Condominium Act, the Master Deed, the By Laws, the Rules and Regulations or resolutions of the Board (upon petition of any Unit Owner or upon its own motion). The Covenants Committee shall from time to time, as required, provide interpretations of the Master Deed, Certificate of Incorporation and By-laws, Rules and Regulations and

resolutions pursuant to the intents, provisions and qualifications thereof when requested to do so by a Unit Owner or the Board. Any action, ruling or decision of the Covenants Committee may be appealed to the Board by any party deemed by the Board to have standing as an aggrieved party and a vote of a majority of the full authorized membership of the Board may modify or reverse any such action, ruling or decision.

9.03. Authority. The Covenants Committee shall have such additional duties, power and authority as the Board may from time to time provide by resolution including the right to impose fines pursuant to Section 11.02 hereof. The Board may relieve the Covenants Committee of any of its duties, powers and authority either generally or on a case by case basis by vote of a majority of its full authorized membership thereof. The Covenants 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. Despite the foregoing, no action may be taken by the Covenants Committee without giving the Unit Owner(s) involved at least ten (10) days prior written notice and affording him the opportunity to be heard, with or without counsel, with respect to the violation(s) asserted.

ARTICLE X

ADDITIONS, ALTERATIONS OR IMPROVEMENTS BY THE ASSOCIATION

Whenever, in the judgment of the Board, the Common Elements require reconstruction, repair or replacement costing

in excess of \$10,000.00, or new capital improvements costing in excess of \$5,000.00, adjusted by the percentage by which Common Expense Assessments have changed between the year in which the Master Deed is recorded, and the year in which the Board wishes to make such improvements, such reconstruction, repair or replacement of new capital improvements shall not be made unless they have been authorized by the vote in person or by proxy of two-thirds (2/3) of all the aggregate votes of all the Unit Owners in good standing at a meeting of the Unit Owners, as required by the Master Deed. Written notice of such meeting shall be sent to all Unit Owners a least thirty (30) days in advance and shall set forth the purpose of the meeting. The Board may incur expenses for reconstruction, repair or replacement, or new capital improvement costing less than \$5,000.00, as adjusted herein, without the approval of the Unit Owners. Despite any of the foregoing, in the event of any emergency which could cause damage to the Building or any part(s) thereof, the Board may expend such sums as are necessary to protect the Building or part(s) thereof. The judgment of the Board in exercising its discretion hereunder shall be final.

When any approval required hereunder has been obtained, all Unit Owners benefitted thereby shall be assessed for the cost thereof as a Special Common Expense Assessment pursuant to Section 7.10 or Capital Improvement Assessment pursuant to Section 7.11 of the Master Deed. The due date(s) of any such assessment, or any installment(s) thereof, shall be fixed in the resolution authorizing such assessment.

ARTICLE XI
ENFORCEMENT

11.01. 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: sending notice to the offending party to cause certain things to be done or undone; restoring the Association to its original position and charging the breaching party with the entire cost or any part thereof; complaint to the duly constituted authorities; or by taking any other action before any court, summary or otherwise, as may be provided by law.

11.02. Fines. The Board shall also have the power to levy fines against any Unit Owner(s) for violation(s) of any rule or regulation of the 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 \$25.00 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 Unit Owner(s) involved as if the fine were a Common Expense owed by the particular Unit Owner(s). Despite the foregoing, before any fine is imposed by the Board, the Unit 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.

11.03. 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 the same irrespective of the number of violations or breaches thereof which may occur.

11.04. Costs of Enforcement. The costs and attorney's fees of enforcement shall be assessed and collected against the Unit Owner as provided in Section 6.10 of these By Laws.

ARTICLE XII

AMENDMENTS

Subject to the restrictions in Section 6.07 hereof and Section 25 of the Master Deed, these By-laws, or any of them, may be altered or repealed, or new By-laws may be made, at any meeting of the Association duly held for such purpose, and previous to which written notice to Unit 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% in number and in interest of the votes entitled to be cast in person or by proxy, except that (i) the first annual meeting may not be advanced, (ii) the first Board (including replacements in case of vacancies) may not be enlarged or removed, or (iii) the obligation or the proportionate responsibility for the payment of Common Expenses with respect to Units or the Common Elements may not be changed by reason of any such new By-Law, amendment or repeal.

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, 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.

ARTICLE XIII

CONFLICT; INVALIDITY

13.01. 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 said Master Deed, Certificate or law shall be deemed controlling.

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

ARTICLE XIV

NOTICE

Any notice required to be sent to any Unit Owner under the provisions of the Master Deed or 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 Unit Owner at the last known post office address of the person who appears as a member on the records of the Association at the time of such mailing. Notice to one of two or more co-owners of a Unit shall constitute notice to all co-owners. It shall be the obligation of every Unit Owner to immediately notify the Secretary of the Association in writing of any change of

address. Valid notice may also be given to Unit Owners by (i) personal delivery to any occupant of said Unit over 14 years of age or (ii) by affixing said notice to or sliding same under the front door of any Unit.

ARTICLE XV

ARBITRATION

Any arbitration provided for in these By-laws shall be conducted before one arbitrator in Union County, New Jersey by the American Arbitration Association, in accordance with its rules then obtaining and the decision rendered in such arbitration shall be binding upon the parties and may be entered in any court having jurisdiction. All expenses of arbitration hereunder including the fees and expenses of counsel and experts shall be Common Expenses.

ARTICLE XVI

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words "The Highlands at Berkeley Heights Condominium Association, Inc."

ARTICLE XVII

Subject to the Master Deed and restrictions or other instruments of creation, the Association may do all that it is legally entitled to do under the laws applicable to its form of organization.

The Association shall discharge its powers in a manner that protects and furthers the health, safety and general welfare of the residents of the community.

The Association shall provide a fair and efficient procedure for the resolution of disputes between individual Unit Owners and the Association, and between different Unit Owners, that shall be readily available as an alternative to litigation.

ARTICLE XVIII

18.01. Open Meetings. All meetings of the condominium association board of directors, except conference or working sessions at which no binding votes are to be taken, shall be open to attendance by all Unit Owners.

18.02. Restrictions to Open Meetings. Despite (18.01) above, the condominium association board of directors may exclude or restrict attendance at those meetings or portions of meetings dealing with the following:

- (a) Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy;
- (b) Any pending or anticipated litigation or contract negotiations;
- (c) 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
- (d) Any matter involving the employment, promotion, discipline, or dismissal of a specific employee of the association.

within that certain tract of property described in Exhibit "A" of a certain Master Deed entitled "The Highlands at Berkeley Heights, A Condominium", recorded or intended to be recorded in the Office of the Register of Union County, and to promote health, safety and welfare of the residents within the above described property and for these additional purposes:

- (a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the aforesaid Master Deed as they both may be amended from time to time as therein provided, said Master Deed and By-Laws being incorporated herein as if set forth at length;
- (b) To fix, levy, collect and enforce payment by any lawful means, of all charges or assessments pursuant to the terms of said Master Deed and the By-Laws of the Association; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;
- (c) To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the

Association;

(d) To borrow money to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred; and

(e) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of New Jersey by law may now or hereafter have or exercise.

ARTICLE V

MEMBERSHIP

Every person or entity who is a record owner of a fee interest in any Unit which is subject to the Master Deed aforesaid is subject to assessment by the Association, and qualifies in accordance with the By-Laws, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Ownership of any such Unit shall be the sole qualification for membership. Upon termination of the interest of the Unit Owner, his membership shall automatically terminate and shall be transferred and shall inure to the new Unit Owner succeeding him in interest.

ARTICLE VI

BOARD OF DIRECTORS

The affairs of this Association shall be managed by a Board of Directors. The initial Board of Directors shall be

composed of three (3) persons who need not be members of the Association. Pursuant to the By-Laws, this Board shall be expanded to five (5) persons. The number of Directors may be changed pursuant to the By-Laws of the Association. The names and addresses of the persons who are to act in the capacity of Directors until the selection of their successors are:

1. Michael A. Seidner, 72 Nova Drive, P.O. Box 6823, Piscataway, NJ 08855-6823,
2. Erwin Fisch, 72 Nova Drive, P.O. Box 6823, Piscataway, NJ 08855-6823,
3. Mark Fisch, 72 Nova Drive, P.O. Box 6823, Piscataway, NJ 08855-6823.

ARTICLE VII

The name and address of the Incorporator is as follows: Ronald L. Shimanowitz, Esq., c/o Hutt and Berkow, P.C., 459 Amboy Avenue, Woodbridge, New Jersey 07095.

ARTICLE VIII

The rights and limitations of the different classes of members will be set forth in the By-Laws.

ARTICLE IX

The method of electing Directors will be as set forth in the By-Laws.

ARTICLE X

The method of distribution of assets shall be as set forth in the By-Laws.

ARTICLE XI

DURATION

The corporation shall exist perpetually.

HIGHLANDS AT BERKELEY HEIGHTS
 PROJECTED OPERATING BUDGET
 INITIAL YEAR OF OPERATION
 BASED ON FULL OCCUPANCY

	<u>MONTHLY</u>	<u>ANNUALLY</u>
PROJECTED INCOME		
50 Units at \$90.00 per month, \$1,080 per year	\$4,500	\$54,000
12 units at \$45.00 per month, \$540 per year	540	6,480
TOTALS	\$5,040	\$60,480

PROJECTED OPERATING EXPENSES	\$1,355	\$16,260
Insurance		
Public Liability, Worker's Compensation, Fire & Extended Coverage, Fidelity Bond		
Rubbish Removal	558	6,696
Repairs & Maintenance		
(a) Landscaping, lawn care, drainage facilities	1,120	13,440
(b) Roads, driveways, walks, curbs	100	1,200
(c) Other common areas	59	708
Administrative Costs	300	3,600
including part-time office help and taxes		
Snow Removal	400	4,800
Utility Charges:		
(a) Water	175	2,100
(b) Lighting	160	1,920
Management Fee	310	3,720
Legal & Accounting Fees	100	1,200
	\$4,637	\$55,644

REPLACEMENT RESERVES

<u>Description</u>	<u>Useful Life</u>	<u>Quantity</u>	<u>Est. Cost</u>	<u>Monthly</u>	<u>Annually</u>
Paving Resurfacing	25 years	6520 sq. yds	\$12,000	\$ 40	\$ 480
Roofing	20 years	672 sq. yds	40,320	168	2,016
Lawn Sprinklers	20 years	336 ea.	26,880	112	1,344
Driveway Sealing	10 years	50 ea.	4,200	35	420
Gutters & Downspouts	10 years	56 units	5,760	48	576
				\$ 403	\$ 4,836

*10' x 10' = 1 square

\$5,040	\$60,480
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CONDOMINIUM ENDORSEMENT

Attached to and made a part of Policy No.

The Company hereby insures against loss or damage by reason of:

- (1) The failure of the unit identified in Schedule A and its common elements to be a part of a condominium within the meaning of the condominium statutes of the jurisdiction in which the unit and its common elements are located.
- (2) The failure of the documents required by said condominium statutes to comply with the requirements of said statutes to the extent that such failure affects the title to the unit and its common elements.
- (3) Present violations of any restrictive covenants which restrict the use of the unit and its common elements and which are contained in the condominium documents. Said restrictive covenants do not contain any provisions which will cause a forfeiture or reversion of title.
- (4) The priority of any lien for charges and assessments provided for in the condominium statutes and condominium documents over the lien of any insured mortgage identified in Schedule A.
- (5) The failure of the unit and its common elements to be entitled by law to be assessed for real property taxes as a separate parcel.
- (6) Any obligation to remove any improvements which exist at date of policy because of any present encroachment or because of any future unintentional encroachment of the common elements upon any unit or of any unit upon the common elements or another unit.
- (7) The failure of title by reason of a right of first refusal to purchase the unit and its common elements which was exercised or could have been exercised at date of policy.

This endorsement is made a part of the policy and is subject to all the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and prior endorsements, if any, nor does it extend the effective date of the policy and prior endorsements or increase the face amount thereof.

IN WITNESS WHEREOF, the Company has caused this Endorsement to be signed and sealed as of the day of 19 , to be valid when countersigned by an authorized officer or agent of the Company, all in accordance with its By-Laws.



First American Title Insurance Company

BY  PRESIDENT

COUNTERSIGNED

By: _____
Officer or Validating Agent

September 14, 1992

The Highlands At Berkeley Heights
Condominium Association, Inc.
Piscataway, New Jersey 08855

Gentlemen:

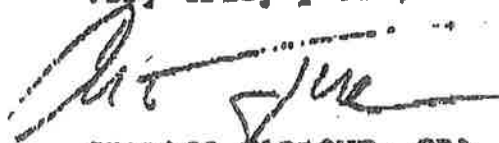
The accompanying projected budget of operating revenues and expenses and summary of significant forecast assumptions of The Highlands At Berkeley Heights Condominium Association, Inc. for its first full fiscal year based on full occupancy is management's estimate of possible results of operations for the projection period. Accordingly, the projection reflects management's judgement, based on present circumstances, of a possible set of conditions and the most likely course of action should such conditions materialize.

We have examined the forecasted budget of operating revenues and expenses and summary of significant forecast assumptions used by management in preparation and presentation of the projections in accordance with the standards for examination established by the American Institute of Certified Public Accountants. We have no responsibility to update this report for events and circumstances after the date of this report.

Based on our examination, we believe that the accompanying projection contains all significant disclosures necessary for an understanding of management's projection, that the underlying assumptions provide for a reasonable basis for management's projection, and that the projected budget is adequate for the purpose intended.

However, since a projection is based upon assumptions about circumstances and events that have not yet taken place, some assumptions inevitably will not materialize and unanticipated events and circumstances will occur. Because of this the actual results achieved during the projection will vary and the variation may be material. Therefore, we cannot give assurance that the projected budget will be attained.

Very truly yours,



CHARLES FARLOWE, CPA
HEIDICH AND COMPANY

Mountainside, N.J.

SCHEDULE B

File No. MS-71957 / DOE

Policy No. 123456

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Encroachments, overlaps, boundary line disputes, and any other matters which would be disclosed by an accurate survey and inspection of the premises.
2. TAXES PAID THROUGH DATE OF CLOSING.
3. SUBJECT TO RESTRICTIONS RECORDED IN DEED BOOK 3623 PAGE 380; DEED BOOK 3641 PAGE 927; DEED BOOK 3777 PAGE 264 AND DEED BOOK 3816 PAGE 50.
4. SUBJECT TO EASEMENTS RECORDED IN DEED BOOK 1442 PAGE 409; DEED BOOK 2009 PAGE 495; DEED BOOK 2495 PAGE 133; DEED BOOK 3748 PAGE 129; DEED BOOK 3792 PAGE 1; DEED BOOK 3792 PAGE 9 AND DEED BOOK 3795 PAGE 225.
5. RIGHTS, PUBLIC AND PRIVATE, IN THAT PART OF THE INSURED PREMISES INCLUDED WITHIN THE BOUNDS OF ALL ROADS, STREETS, AVENUES AND / OR RIGHTS OF WAY WHICH CROSS OR ABUT THE SUBJECT PREMISES.
6. RIGHTS, PUBLIC AND PRIVATE, TOGETHER WITH FLOODING AND DRAINAGE RIGHTS, IF ANY, APPURTENANT THERETO, IN AND TO A TRIBUTARY TO THE PASSAIC RIVER.
7. MORTGAGE MADE IN THE AMOUNT OF \$ _____ BY JOHN DOE AND MARY DOE, HIS WIFE, TO ABC MORTGAGE CO., DATED --/--/--, RECORDED --/--/-- IN THE UNION COUNTY CLERKS OFFICE, STATE OF NEW JERSEY IN MORTGAGE BOOK _____ PAGE ____.

Countersigned

Schedule B of this Policy consists of ONE pages.

Authorized Signatory

December 4, 1992

To Whom it May Concern:

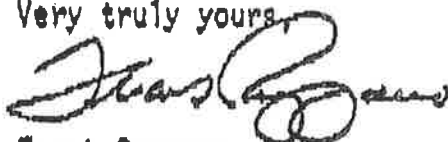
RE: The Highlands at Berkeley Heights

Please be advised that our agency will provide, upon request, the following insurance coverages for the above captioned.

1. Replacement value fire and extended coverage, including optional perils in the amount of \$4,030,000.00. Deductible amount of \$5,000.00. No co-insurance.
2. Basic General Liability in the amount of \$1,000,000.00, with an umbrella liability policy in the amount of \$25,000,000.00.
3. Non-owned automobile liability in the amount of \$1,000,000.00.
4. Liability coverage to extend to all common owned land.
5. Appropriate Worker's Compensation coverage as required by law.
6. Employee Dishonestly Bond in the amount of \$250,000.00.
7. Directors and Officers Liability in the amount of \$1,000,000.00.

Based upon the information provided this office, we have determined the above coverages to be adequate for The Highlands at Berkeley Heights, for the current replacement cost values for 62 units. It is recommended that all coverages be reviewed yearly to keep replacement cost current. The above coverages to be provided for an approximate annual premium of \$16,260.00. Premium quotation subject to rate changes.

Very truly yours,



Frank Razzano
Insurance Manager

132

MANAGEMENT CONTRACT

This Agreement entered into by and between:

THE HIGHLANDS AT BERKELEY HEIGHTS CONDOMINIUM ASSOCIATION, INC., a non-profit corporation of the State of New Jersey hereinafter referred to as "Highlands";

and

HIGHLANDS DEVELOPERS, INC., a New Jersey Corporation, hereinafter referred to as "Developers".

W I T N E S S E T H:

WHEREAS, Highlands is a not-for-profit corporation of the State of New Jersey, which is charged with the responsibility of the Maintenance and operation of the common elements and any other areas of a condominium development known as The Highlands at Berkeley Heights, pursuant to a Master Deed made by Developers and recorded at Book _____, Page _____, records of Union County.

NOW, THEREFORE, In consideration of the promises aforesaid mutually exchanged between the parties.

BE IT AGREED AS FOLLOWS:

1. Developers shall be the manager of The Highlands at Berkeley Heights and shall oversee the maintenance of the common properties, as well as those duties and responsibilities as more particularly provided in the Master Deed hereinabove referred to.

2. In consideration for the services to be performed by Developers, it shall receive as a fee, the sum of \$5.00 per month per unit. Payments hereunder shall be made on a monthly basis.

Exhibit E to the Public Offering Statement

3. This contract shall be effective as of the closing date of the first unit to an individual purchaser and shall expire one year therefrom. This contract may be terminated by the Association or the developer, sponsor or builder without cause and without payment of a termination fee or any penalty on ninety (90) days or less written notice.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals this _____ day _____, 199 .

ATTEST:

THE HIGHLANDS AT BERKELEY HEIGHTS
CONDOMINIUM ASSOCIATION, INC.

ATTEST:

HIGHLAND DEVELOPERS, INC.

BY: _____

WP+451(DJG)