

BY-LAWS  
OF  
COLONY HILL CONDOMINIUM I ASSOCIATION

ARTICLE I - PLAN OF UNIT OWNERSHIP

1. Unit Ownership. The property located in Durham County, State of North Carolina, and more particularly described in the Declaration to which these By-Laws are attached has been submitted to the provisions of Chapter 47A of the North Carolina General Statutes entitled "Unit Ownership Act" by the Declaration recorded in the office of the Register of Deeds of Durham County, State of North Carolina, simultaneously herewith, and shall be known as Colony Hill Condominium I Association (hereinafter called the "Condominium").

2. Applicability of By-Laws. The provisions of these By-Laws are applicable to the property of the Condominium and to the use and occupancy thereof. The term "Property" as used herein shall include the land, the buildings and all other improvements thereon (including the units, the common areas and facilities and the limited common areas and facilities), owned in fee simple absolute, and all easements, rights and appurtenances belonging thereto, and all other property, personal or mixed, intended for use in connection therewith.

3. Application. All present and future owners, mortgagees, lessees and occupants of Units and their employees, and any other persons who may use the facilities of the property in any manner are subject to the Declaration, these By-Laws and Rules and Regulations made pursuant hereto, and any amendment to the Declaration or these By-Laws upon the same being passed and set forth in a duly recorded amended declaration.

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 agreement that these By-Laws (and any Rules and Regulations made pursuant hereto) and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE II - ASSOCIATION MEETINGS

1. Membership. The record owners of each unit (apartment) shall be members and shall have voting rights as hereinafter set forth.

2. Place of Meetings. All meetings of the Colony Hill Condominium I Association (hereinafter referred to as the "Association") shall be held at the Colony Hill recreation building or at such other place within the State of North Carolina as shall be designated in a notice of the meeting.

3. Organizational Meeting. The organizational meeting of the Association shall be held upon ten (10) days written notice given by Colony Company when the sale of ten (10) of the units has been consummated.

4. Annual Meetings. An annual meeting of the Association shall be held at 8:00 o'clock P. M. on the third Wednesday of November of each year for the purpose of electing members of the Board of Directors and for the transaction of such other business as may be properly brought before the meeting. The Association shall operate upon a fiscal year from August 1 through July 31.

700  
5. Substitute Annual Meetings. If the annual meeting shall not be held on the day designated by the By-Laws, a substitute annual meeting may be called in accordance with the provisions of Section 5 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

6. Special Meetings. Special meetings of the Association may be called at any time by the Board of Directors or upon the written request of not less than 25% in common interest of the Unit Owners.

7. Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered or mailed not less than ten (10) nor more than thirty (30) days before the date thereof, either personally or by mail at the direction of the Board of Directors or unit owners calling the meeting, to each person entitled to vote at such meeting.

In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted thereat unless it is a matter other than the election of Directors on which the vote of unit owners is expressly required by the provisions of the North Carolina Unit Ownership Act. In the case of a special meeting the notice of meeting shall specifically state the purposes for which the meeting is called.

When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for not less than thirty (30) days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is effective.

8. Quorum. The presence in person or by proxy at any meeting of the voting members (as defined in the Declaration) having a majority of the total votes shall constitute a quorum. Unless otherwise expressly provided herein or in the Declaration or by North Carolina law, any action may be taken at any meeting of the Association at which a quorum is present upon the affirmative vote of the voting members having a majority of the total votes present at such meeting. If there is no quorum at the opening of the meeting of the Association, such meeting may be adjourned from time to time by the vote of a majority of the voting members present, either in person or by proxy; and at any adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the original meeting.

The voting members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough voting members to leave less than a quorum.

9. Voting Rights. The designation of the voting representative and his voting rights are set forth in Paragraph 8 of the Declaration. The total number of votes of all voting members shall be 100, and each Owner or group of owners (including the Board of Directors, if it or its designee shall then hold title to one or more units) shall be entitled to the number of votes equal to the total of the percentage of ownership in the common areas and facilities applicable to his or their unit ownership.

10. Cumulative Voting. In all elections for members of the Board of Directors, each voting member shall be entitled to vote on a cumulative voting basis and the candidates receiving the highest number of votes with respect to the number of offices to be filled shall be deemed to be elected.

707

11. Waiver of Notice. Any Unit Owner may, at any time waive notice of any meeting of the Association in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Unit Owner at any meeting of the Association shall constitute a waiver of notice by him of the time and place thereof except where a Unit Owner attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the Unit Owners are present at any meeting of the Association, no notice shall be required and any business may be transacted at such meeting.

12. Informal Action by Unit Owners. Any action which may be taken at a meeting of the Association may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting, (that is, the voting members) and filed with the Secretary of the Association to be kept in the Association Minute Book.

13. Amendment to By-Laws. These By-Laws may be amended by the vote of at least sixty-six and two-thirds ( $66 \frac{2}{3}$ ) present in common interest of all unit owners, which said vote shall be cast in person or by proxy at a duly held meeting of the Association wherein notice of the subject matter of the proposed amendment shall have been included in the notice of the meeting. Any such amendment shall become operative and binding upon all Unit Owners upon being set forth in an amended Declaration and recorded in the office of the Register of Deeds of Durham County, North Carolina.

#### ARTICLE III - BOARD OF DIRECTORS

1. General Powers. The business and property of the Condominium shall be managed and directed by the Board of Directors or by such Executive Committee as the Board may establish pursuant to these By-Laws.

2. Number, Term and Qualification. The number of Directors of the Condominium shall be three, to be elected by the Unit Owners at their initial meeting. The size of the Board of Directors may be increased or decreased from time to time upon the affirmative vote of  $\frac{2}{3}$  of the total of the Unit Owners, provided that said Board shall not be less than three in number. Each Director shall hold office for a period of one year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies. Each member of the Board shall be one of the owners or co-owner or a spouse of an owner or co-owner; provided, however, that in the event an owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, then any officer or director of such corporation, partner of such partnership, beneficiary of such trust or manager of such other legal entity, shall be eligible to serve as a member of the Board.

3. Election of Directors. Except as provided in Section 5 of this Article, the Directors shall be elected at the annual meeting of the Association; and those persons who receive the highest number of votes shall be deemed to have been elected.

4. Removal. Directors may be removed from office with or without cause by affirmative vote of the Unit Owners having a majority of the total votes entitled to vote at an election of directors. However, unless the entire Board is removed an individual director may not be removed if the number of Unit Owners voting against the removal would be sufficient to elect a director if such Unit Owners voted cumulatively at an annual election. If any directors are so removed, new directors may be elected at the same meeting.

5. Vacancies. A vacancy occurring in the Board of Directors, including directorships not filled by the Unit Owners, may be filled by a majority of the remaining Directors, though less than a quorum, or by the sole remaining Director; but a vacancy created by an increase in the authorized number of Directors shall be filled only by election at an annual meeting or a special meeting of Unit Owners called for that purpose. Voting members may elect a Director at any time to fill any vacancy not filled by the Directors.

703  
6. Compensation. The Board of Directors shall receive no compensation for their services unless expressly allowed by the Board at the direction of the Unit Owners having two-thirds (2/3) of the total votes.

7. Executive Committees. The Board of Directors may, by resolution adopted by a majority of the number of Directors fixed by these By-Laws, designate two or more Directors to constitute an Executive Committee, which committee to the extent provided in such resolution shall have and may exercise all of the authority of the Board of Directors in the management of the Condominium.

8. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Condominium and may do all such acts and things, except such acts as by law or by the Declaration or by these By-Laws may not be delegated to the Board of Directors. Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

(a) Operation, care, upkeep and maintenance of the common areas and facilities.

(b) Determination of the common expenses required for the affairs of the Condominium, including, without limitation, the operation and maintenance of the Property.

(c) Collection of the common charges from the Unit Owners.

(d) Employment and dismissal of the personnel necessary for the maintenance and operation of the common areas and facilities.

(e) With the consent of the Unit Owners having sixty (60%) percent of the total votes, the adoption and amendment of such reasonable rules and regulations as it may deem advisable for the maintenance, conservation, and beautification of the Property, and for the health, comfort, safety and general welfare of the owners and occupants of the Property. Written notice of such rules and regulations shall be given to all owners and occupants, and the entire Property shall at all times be maintained subject to such rules and regulations.

(f) Opening of bank accounts on behalf of the Condominium and designating the signatories required therefor.

(g) Purchasing or leasing or otherwise acquiring in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of all Unit Owners, units offered for sale or lease or surrendered by their owners to the Board as provided by the Declaration.

(h) Purchasing of Units at foreclosure or other judicial sales in the name of the Board of Directors, or its designee, corporate or otherwise, on behalf of all Unit Owners.

(i) Selling, mortgaging, voting appurtenant to or otherwise dealing with units acquired by the Board of Directors or its designee, corporate or otherwise, on behalf of all Unit Owners, subject to the Declaration and other applicable restrictions.

(j) Organizing corporations or other entities to act as designees of the Board in acquiring possession or title to units on behalf of all Unit Owners.

(k) Maintaining and repairing any unit, if such maintenance or repair is necessary in the discretion of the Board or by operation of applicable restrictions to protect the common areas and facilities or any other portion of the building, and an Owner of any unit has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair delivered or mailed by the Board to said Owner, provided that the Board shall levy a special assessment against such owner for the costs of said maintenance or repair. 7.17

(l) Entering any unit when necessary in connection with any maintenance or construction for which the Board is responsible; provided, such entry shall be made during reasonable hours with as little inconvenience to the occupant as practicable, and any damage caused thereby shall be repaired by the Board and such expense shall be treated as a common expense.

(m) Signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Board.

(n) Obtaining of insurance for the Property, including the units, pursuant to the provisions of paragraph 11 of the Declaration.

(o) Making of 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 By-Laws and the Declaration, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

9. Managing Agent. The Board of Directors for the Condominium may engage the services of any person, firm or corporation to act as managing agent at a compensation established by the Board, to perform such duties and services as the Board of Directors shall authorize including but not limited to the duties listed in subdivisions (a), (c), (d), (j), (k), (l), (n) and (o) of Section 8 of this Article III. The Board may delegate to the managing agent, all of the powers granted to the Board of Directors by these By-Laws other than the powers set forth in subdivision (b), (e), (f), (g), (h), (i), and (m) of Section 8 of this Article III.

#### ARTICLE IV - MEETINGS OF DIRECTORS

1. Organization Meeting. The first meeting of the members of the Board of Directors shall immediately follow the initial meeting of the Unit Owners. No notice shall be necessary to the newly elected members of the Board of Directors in order to legally constitute such meeting, providing a quorum shall be present.

2. Regular Meetings. A regular meeting of the Board shall be held immediately after, and at the same place as the annual meeting or substitute annual meeting of the Unit Owners. In addition, the Board of Directors may provide by resolution the time and place within the State of North Carolina for the holding of a regular meeting of the Board.

3. Special Meetings. Special meetings of the Board of Directors may be called by or with the request of the Chairman or by any two Directors.

750

4. Notice of Meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of Directors shall, at least two days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called. Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called.

5. Waiver of Notice. Any member of the Board of Directors may, at any time waive notice of any meeting of the Board of Directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board 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 Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

6. Quorum. A majority of the number of Directors fixed by these By-Laws as amended from time to time, shall be required for and shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

7. Manner of Acting. Except as otherwise provided in this section, the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

A vote of a majority of the number of Directors fixed by the By-Laws shall be required to adopt a resolution constituting an Executive Committee. The vote of a majority of the Directors then holding office shall be required to adopt, amend, or repeal a By-Law, provided that no modification of or amendment to the By-Laws shall be effective unless set forth in an amended declaration, duly recorded. Vacancies in the Board of Directors may be filled as provided in Article III, Section 5, of these By-Laws.

8. Organization. Each meeting of the Board of Directors shall be presided over by the Chairman of the Board, and in the absence of the Chairman, by any person selected to preside by vote of the majority of the Directors present. The Secretary, or in his absence, an Assistant Secretary, or in the absence of both the Secretary and the Assistant Secretary any person designated by the Chairman of the meeting, shall act as Secretary of the meeting.

9. Informal Action of Directors. Action taken by a majority of the Directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the Directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

10. Minutes. The Board shall keep written minutes of its proceedings.

11. Fidelity Bonds. The Board of Directors may require all officers and employees of the Condominium handling or responsible for Condominium funds to be covered by an adequate fidelity bond. The premiums on such bonds shall constitute a common expense.

12. Liability of the Board. The members of the Board of Directors shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise except for their own individual willful misconduct or bad faith. It is intended that the members of the Board of Directors shall have no personal liability

with respect to any contract made by them on behalf of the Condominium, except to the extent they are Unit Owner(s). It is also intended that the liability of any Unit Owner arising out of any contract made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board shall be limited to such proportion of the total liability thereunder as his interest in the common areas and facilities bears to the interests of all the Unit Owners in the common areas and facilities. Every agreement made by the Board or by the managing agent on behalf of the Condominium shall provide that the members of the Board of Directors, or the managing agent, as the case may be, are acting only as agents for the Unit Owners and shall have no personal liability thereunder (except as Unit Owners), and that each Unit Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the common areas and facilities bears to the interest of all Unit Owners in the common areas and facilities.

#### ARTICLE V - OFFICERS

1. Number. The principal officers of the Condominium shall consist of a President and Chairman of the Board, a Secretary, a Treasurer, and such Vice Chairmen, Assistant Secretaries, Assistant Treasurers and other officers as the Board of Directors may from time to time elect. Any two or more offices may be held by the same person except the offices of Chairman and Secretary.

2. Election and Term. The officers of the Condominium shall be elected by and from among the Board of Directors. Such elections may be held at the regular annual meeting of the Board. Each officer shall hold office for a period of one year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualifies.

3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board with or without cause; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

4. Compensation. No officer shall receive any compensation from the Condominium for acting as such.

5. Chairman of the Board. The President and Chairman of the Board shall be the principal executive officers of the Condominium and, subject to the control of the Board of Directors, shall supervise and control the management of the Condominium. The Chairman shall when present, preside at all meetings of the Board and of the unit owners and, in general, shall perform all duties incident to the office of Chairman of the Board and such other duties as may be prescribed from time to time by the Board.

6. Vice-Chairman. The Vice-Chairman shall, in the absence or disability of the Chairman, have the powers and perform the duties of said office. In addition, each Vice-Chairman shall perform such other duties and have such other powers as shall be prescribed by the Chairman of the Board.

7. Secretary. The Secretary shall keep accurate records of the acts and proceedings of all meetings of Unit Owners and Directors. He shall give, or cause to be given, all notices required by law and by these By-Laws. He shall have general charge of the minute books and records of both the Unit Owners and the Board. He shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be assigned him from time to time by the Chairman of the Board or by the Board of Directors.

752  
8. Treasurer. The Treasurer shall have custody of all Condominium funds and securities and shall receive, deposit or disburse the same under the direction of the Board of Directors. He shall keep full and accurate accounts of the finances of the Condominium in books especially provided for that purpose. He shall cause a true statement of its assets and liabilities as of the close of each fiscal year, and of the results of its operations and of changes in surplus for such fiscal year, all in reasonable detail, to be prepared and distributed to all Unit Owners and members of the Board of Directors on or before the 15th day of the third month following the close of each fiscal year. The statement so filed shall be kept available for inspection by any Unit Owner for a period of three (3) years. The Treasurer shall also prepare and file all reports and returns required by Federal, State or local law and shall generally perform all other duties as may be assigned to him from time to time by the Chairman of the Board or the Board of Directors.

9. Assistant Secretaries and Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall, in the absence or disability of the Secretary and the Treasurer, respectively, have all the powers and perform all of the duties of those officers, and they shall in general perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the Chairman of the Board or the Board of Directors.

#### ARTICLE VI - OPERATION OF THE PROPERTY

1. Determination of Common Expenses and Fixing of Common Charges. The Board of Directors shall from time to time, and at least annually, prepare a budget for the Condominium, determine the amount of the common charges payable by the Unit Owners to meet the common expenses of the Condominium, and allocate and assess such common charges among 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 Directors pursuant to the provisions of the Declaration. The common expenses may also include such amounts as the Board of Directors may deem proper for the operation and maintenance of the Property, including, without limitation, an amount for working capital of the Condominium, 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. The common expenses may also include such amounts as may be required for the purchase by the Board of Directors or its designee, on behalf of all Unit Owners, of any Unit which is to be sold at a foreclosure or other judicial sale. The Board of Directors shall advise all Unit Owners promptly in writing of the amount of common charges payable by each of them, respectively, as determined by the Board of Directors, as aforesaid, and shall furnish copies of each budget on which such common charges are based to all Unit Owners and to their mortgagees.

2. Payment of Common Charges. All Unit Owners shall be obligated to pay the common charges assessed by the Board of Directors pursuant to the provisions of Section 1 of this Article VI at such time or times as the Board shall determine; and the lien rights created by N.C.G.S. 47A-22 are incorporated herein by reference.

No unit owner shall be liable for the payment of any part of the common charges assessed against his unit subsequent to a sale, transfer or other conveyance by him of such unit, together with his interest in the common areas and facilities as defined in the Declaration. A purchaser of a unit shall be jointly and severally liable with the seller for the payment of common charges assessed against such unit prior to the acquisition by purchaser of such unit without prejudice to the purchaser's right to recover from the seller the amounts paid by the purchaser therefor.



Provided that a mortgagee or other purchaser of a unit at a foreclosure sale of such unit shall not be liable for and such unit shall not be subject to a lien for the payment of common charges assessed prior to the foreclosure sale. Such unpaid common charges shall be deemed to be common charges collectible from all of the Unit Owners including such purchaser, his successor and assigns.

3. Collection of Assessments. The Board of Directors shall assess common charges against the Unit Owners from time to time and at least annually and shall take prompt action to collect any common charge due from any Unit Owner which remains unpaid for more than 30 days from the due date for payment thereof.

4. Default in Payment of Common Charges. In the event of default by any Unit Owner in paying to the Board of Directors the common charges as determined by the Board, such Unit Owner shall be obligated to pay interest at the maximum legal rate on such common charges from the due date thereof, together with all expenses, including attorneys' fees (if permitted by law), incurred by the Board in any proceeding brought to collect such unpaid common charges. The Board shall have the right and duty to attempt to recover such common charges, together with interest thereon, and the expenses of the proceeding, including attorneys' fees in any action to recover the same brought against such Unit Owner, or by foreclosure of the lien on such unit in like manner as a note, deed of trust or mortgage of real property.

5. Foreclosure of Liens for Unpaid Common Charges. In any action brought by the Board to foreclose on a unit because of unpaid common charges, the Unit Owner shall be required to pay a reasonable rental for the use of his unit and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board, acting on behalf of all Unit Owners, or on behalf of any one or more individual Unit Owners if so instructed, shall have the power to purchase such unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey or otherwise deal with the same, subject, however, to applicable restrictions of record and the provisions of the Declaration. A suit to recover a money judgment for unpaid common charges shall be maintainable without foreclosing or waiving the lien securing the same.

6. Statement of Common Charges. The Board of Directors shall promptly provide any Unit Owner so requesting the same in writing, with a written statement of all unpaid common charges due from such Unit Owner.

7. Abatement and Enjoinment of Violations by Unit Owners. The violation of any rule or regulation adopted by the Board or the breach of any By-Law contained herein, or the breach of any provision of the Declaration, shall give the Board the right, in addition to any other rights set forth in these By-Laws: (a) to enter the 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 shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

8. Maintenance and Repair. (a) All maintenance and any repairs to any unit, structural or non-structural, ordinary or extraordinary, (other than maintenance of and repairs to any common areas and facilities contained therein and not necessitated by the negligence, misuse or neglect of the owner of such unit) shall be made by the owner of such unit. Each Unit Owner shall be responsible for all damages to any and all other units and/or to the common areas and

751  
facilities that his failure so to do may engender. (b) All maintenance, repairs and replacements to the common areas and facilities, whether located inside or outside of the 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 and be charged to all the Unit Owners as a common expense.

9. Additions, Alterations or Improvements by Unit Owners. No Unit Owner shall make any structural addition, alteration, or improvement in or to his unit, without the prior written consent thereto of the Board of Directors. The Board shall have the obligation to answer any written request by a Unit Owner for approval of a proposed structural addition, alteration or improvement in such Unit Owner's unit, within thirty (30) days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board of Directors to the proposed addition, alteration or improvement.

10. Restrictions as to Use. The use of the property of the Condominium shall be in accordance with the following provisions:

(a) Each of the units shall be occupied only as a residence and shall not be used for any purpose which is not permissible under residential zoning regulations. No unit may be divided into smaller units or any portion thereof sold or otherwise transferred without first amending these By-Laws to show the changes in the units to be effected thereby.

(b) The common elements shall be used for the purposes for which they are intended in the furnishing of services and facilities for the enjoyment of the units.

(c) No use or practice shall be permitted on the property which is the source of annoyance to Unit Owners or which interferes with the peaceful possession and proper use of the property by the Unit Owners. All parts of the property shall be kept in a clean and sanitary condition, and no rubbish, refuse, or garbage allowed to accumulate nor any fire hazard allowed to exist. It shall be the responsibility of each Unit Owner and the Board of Directors to prevent the development of conditions which render the property or the building unclean, unsightly or unkept or which substantially decrease the beauty of the area as a whole. No Unit Owner shall permit any use of his unit or of the common elements which will increase the rate of insurance upon the Condominium property. No immoral, improper, offensive, or unlawful use shall be made of the Condominium property or any part thereof. All valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction thereof shall be observed. The responsibility of meeting the requirements of governmental bodies which require maintenance, modification, or repair of the Condominium property shall be the same as the responsibility for the maintenance and repair of the property concerned.

(d) Until Colony Company has completed and sold all of the apartments, neither the Unit Owners nor the Association shall interfere with the sale of additional units. The Colony Company may make such use of the unsold units and common areas as may facilitate such completion and sale, including but not limited to the rental of same, the showing of the property, and the display of signs.

11. Right of Access. A Unit Owner shall grant a right of access to his unit to the managing agent and/or any other person authorized by the Board of Directors or the managing agent, for the purpose of making inspections or for the purpose of correcting any condition originating in his unit and threatening another unit or a common area and facility, or for the purpose of performing installations,

alterations or repairs to the mechanical or electrical services or other common areas and facilities in his unit or elsewhere in the building or to correct any condition which violates the provisions of any mortgage covering another unit, provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether the Unit Owner is present at the time or not.

12. Rules of Conduct. Rules and regulations concerning the use of the units and the common areas and facilities may be promulgated and amended by the Board with the approval of sixty (60%) percent of the Unit Owners. Copies of such rules and regulations shall be furnished by the Board to each Unit Owner prior to the time when the same shall become effective.

13. Equipment. Each Unit Owner shall own and be responsible for the maintenance, repair and replacement of the equipment which serves his unit such as the hot water heater, furnace, air conditioner, plumbing fixtures and pipes or drains which may become clogged.

14. Water and Sewer Charges. Water shall be supplied to all of the units and the common areas and facilities through one or more meters and the Board shall pay, as a common expense, all charges for water consumed on the Property, including the units, together with all related sewer rents arising therefrom, promptly after the bills for the same shall have been rendered.

15. Electricity. Electricity shall be supplied by the public utility company serving the area directly to each unit through a separate meter and each Unit Owner shall be required to pay the bills for electricity consumed or used in his unit. The electricity serving the common areas and facilities shall be separately metered, and the Board of Directors shall pay all bills for electricity consumed in any portions of the common areas and facilities as a common expense.

ARTICLE VII - RECORDS AND AUDITS

The Board of Directors or the managing agent shall keep detailed records of the acts of the Board and the managing agent, minutes of the meetings of the Board, minutes of the meetings of the Unit Owners, and financial records and books of account of the Condominium, including a chronological listing of receipts and expenditures, as well as a separate account for each unit which, among other things, shall contain the amount of each assessment of the common charges against such unit, the date when due, the amounts paid thereon, and the balance remaining unpaid. The financial record and books of account shall be available for examination by all the Unit Owners, their duly authorized agents or attorneys at convenient hours on working days that shall be set and announced for general knowledge. A written report summarizing all receipts and expenditures of the Condominium shall be rendered by the Board to all Unit Owners on or before the 15th day of the third month following the close of each fiscal year covering the preceding year. In Addition, an annual report of the receipts and expenditures of the Condominium, certified by an accountant selected by the Board, shall be rendered by the Board to all Unit Owners and to all mortgagees of units who have requested the same, promptly after the end of each fiscal year.