

CODE OF REGULATIONS
PALADIN CLUB VIII CONDOMINIUM

Article 1. Application This Code of Regulations (Code) shall govern the administration of the property and other affairs of Paladin Club VIII Condominium (Condominium). The property (Property) was submitted to the provisions of the Delaware Unit Property Act (25 Del. Code, Chapter 22) by the (1) Declaration for Paladin Club VIII Condominium recorded in the Office of the Recorder of Deeds of New Castle County, Delaware (the place of recording of all documents referred to as recorded or to be recorded) in Deed Record ____, page ____ &c., ("the Declaration" below) and (2) the Declaration Plan recorded in Microfilm # _____. This Code binds all parties who use any Common Element, or own or use a Unit, of the Property. The definitions of words and phrases in the Declaration shall apply to this Code.

Article 2. Meetings of Owners A. **Annual Meetings.** There shall be an annual meeting of Owners held in November of each year after the Declarant has sold seventy-five percent of the Units in the Property. The Declarant shall give Owners thirty days written notice of the first annual meeting. The Owners shall elect Council members and transact such other business as may properly come before annual meetings. The persons appointed by the Declarant shall resign as Council members upon the election of Council members at the first annual meeting.

B. **Place of Meetings.** Annual meetings of Owners shall be held at the Property or at such other place as may be designated by the Council.

C. **Special Meetings.** The President of the Council shall call a special meeting of Owners if directed by resolution of the Council or promptly after receipt of a petition signed by Owners with collective Proportionate Interest of thirty-five percent, but such a meeting may be called prior to the first annual meeting of Owners only upon a resolution of the Council. A notice of special meeting shall state the time, place and purpose of the meeting. No business shall be transacted at a special meeting that is not stated in the notice.

D. **Notice of Meetings.** Except as provided in the Declaration, The Secretary of the Council shall give to each Owner a written notice of a meeting of Owners at least ten (10) but not more than twenty (20) days prior to the meeting, stating its purpose and the time and place where it is to be held.

E. **Quorum.** Except as otherwise provided in the Code, Owners representing a majority of all votes of all Owners, present in person or by written proxy, shall constitute a quorum at all meetings of Owners. Without a quorum present, Owners present at a meeting, in person or by proxy, may, without a quorum, adjourn the meeting to another time no earlier than forty-eight hours from the time stated in notice of meeting.

F. **Conduct of Meetings.** Roberts Rules of Order shall govern the conduct of all meetings of Owners when not in conflict with the Condominium Documents or the Unit Property Act.

Article 3. Council A. **Members.** The Council shall consist of three natural persons who, except for members appointed by Declarant, are Owners. Council members not appointed by the Declarant shall be elected by a majority of the votes cast, in person or by proxy, and shall serve until their respective successors shall have been elected. The terms Council members shall be one year or of such greater length as the Council shall fix by resolution.

B. Powers and Duties. The Council shall: (1) administer the Property and the affairs of the Condominium for the benefit of the Owners; (2) have full responsibility for the Property, funds and other property, (3) cause the keeping of full and accurate financial records and books of account showing all receipts and disbursements; (4) cause the preparation of all periodic audits and reports to the Owners; (5) provide for the safekeeping all monies and other valuable effects of the Condominium; (6) designate depositories of the funds and the property; (6) assure the integrity of the affairs, books of account, reports, property, and minutes of proceedings; (7) carry out the provisions of the Condominium Documents and the Act.

C. Removal of Council Members. At any annual or special meeting of Owners, any member of the Council may be removed with or without cause by a majority of all votes of all Owners. Any member of the Council whose removal has been proposed by the Unit Owners shall be given at least ten (10) days notice of the meeting, its purpose, and an opportunity to be heard at the meeting.

D. Vacancies. Except upon removal of a Council member by a vote of the Owners, Council vacancies shall be filled by the remaining members of the Council. A member of the Council filling a vacancy shall serve for the remainder of the term of the member replaced.

E. Meetings. The Council shall meet to organize and elect officers within ten (10) days of each annual meeting of Owners, and shall adopt dates on which regular meetings of the Council shall be held, without notice, until the next annual meeting of Owners. Special meetings of the Council may be called by the Vice President by a written notice stating the time, place and specific business of the meeting, or by the Vice President or Secretary in like manner on the written request of at least two (2) Council members. Such notice shall be given to every Council member, and shall be mailed at least five days in advance of the meeting date, or given in person at least three days in advance. Any Council member may waive notice of a meeting in a writing signed at any time, or by attending the meeting. In addition to the specific business stated in a notice, any business may be transacted at a meeting with all members present and which all agree upon. A majority of Council members shall constitute a quorum for the transaction of business, and the votes of a majority of the members present at a meeting with a quorum present shall constitute the decision of the Council.

F. Bonds and Insurance. The Council may require fidelity bonds for some or all officers, employees and agents of the Condominium, and the premiums shall be a Common Expense. The Council may obtain Director and Officer Liability Insurance and the premiums shall be a Common Expense.

G. Compensation. No member of the Council shall receive any compensation for such service.

H. Liability of the Members of the Council. The members of the Council shall not be liable to the Owners, lien holders, or any other party for any mistake, any mistake of judgement, for negligence, or any other cause not improper. The Unit Owners shall indemnify and hold harmless each member of the Council from and against all liability arising out of proper and lawful contracts made by the Council on behalf of the Owners. Owners shall indemnify every Council member, officer, employee, or agent against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement, in connection with any action arising out of the proper and lawful performance of duties. Improper for the purposes of this paragraph shall mean individual willful misconduct, gross negligence, bad faith, intentional violation of the Condominium Documents or Act, or opposing the known best interests of the Owners.

Article 4. Officers The Council shall have a President, a Vice President/Treasurer, and a Secretary. Officers shall be elected by majority vote of the Council. An officer may be removed from office by a vote of a majority of Council members, with or without cause. No officer shall receive any compensation for such service.

Article 5. Operations of the Property A. Fiscal year and Budget. The fiscal year of the Condominium shall be the calendar year. On or before the first day of each December, the Council shall adopt a budget containing an estimate of the total amount necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements. Such budget shall also include such reasonable amounts as the Council considers necessary to provide working capital for the Property, a general operating reserve, and reserves for contingencies and replacements. At least ten days before the annual meeting, the Council shall send to each Owner a copy of the budget in a reasonably itemized form, together with a brief but informative interim report on the receipts, expenses and reserves during the then-current year.

B. Assessments. The amount estimated in the budget for operation of the Property shall be assessed against the Units according to each Unit's Proportionate Interest. On or before the first day of each month covered by the budget, each Unit Owner shall pay one-twelfth (1/12th) of the assessment. As soon as practicable after the end of a fiscal year, the Council shall supply to all Owners a report on the budget, receipts, expenses and reserves during that fiscal year. Receipts in excess of expenses and reserves shall either reduce assessments for the next fiscal year, or be applied in such other manner as the council shall determine in its sole discretion. The Council shall give Owners prompt and advance notice of any unbudgeted excess of disbursements over receipts, the amount of contingency or other reserves available to apply against such excess, and the Council's proposal for funding and assessing any additional unbudgeted excess. The Council shall provide all Owners with a written report stating in reasonable detail the amounts and reasons for any special assessment, and stating whether the assessment shall be paid in a lump sum or in installments. Except as otherwise provided, all sums collected by assessments or otherwise may be commingled. The Council may, but need not, offer a discount on assessments paid in advance, for such number of installments and for such amount of discount as the Council may from time to time determine.

C. Declarant's Units. Notwithstanding any other provision to the contrary, no lawsuit, suspension of utilities or other action shall be taken by or on behalf of the Council or any Unit Owner occupant, mortgagee, or other lienor to collect any assessment made against any Unit owned by Declarant or its successors or assigns for a period when the Unit was not occupied as a residence pursuant to a valid certificate of occupancy, except for expenditures actually made for fuel, utility service, insurance premium, trash disposal, maintenance or repair of the Unit. Declarant shall not convey any Unit on which amounts advanced by the Council have not been reimbursed by Declarant.

D. Statement of Unpaid Assessments. The Council shall promptly provide to an Owner, a Mortgagee or a purchaser under contract of a Unit who makes a request in writing, a statement of all unpaid assessments on the respective Unit. The Unit shall be free of any unpaid assessments in excess of the amount set forth in the statement.

E. Rules and Regulations. Rules and Regulations shall be effective when a copy is provided to every Owner.

F. Limited Common Elements. The Council shall provide for maintaining and replacing as necessary all Limited Common Elements as a part of the Common Expense.

G. Audited Statements. The Council shall provide an audited annual statement of the financial affairs of the Council when the Property contains fifty or more Units.

Article 6. Insurance. A. Amounts. The Council shall cause the Property to be insured for the benefit of the Owners and their respective mortgagees as their interests may appear, as follows: (1) property insurance with coverage for replacement value less a deductible amount not to exceed One Thousand Dollars (\$1,000) per loss per occurrence with an "agreed amount" endorsement and a "Condominium replacement cost" endorsement,

without deduction or allowance for depreciation; (2) public liability insurance with bodily injury and property damage coverage of not less than \$1,000,000 per occurrence and not less than \$2,000,000 for all occurrences in a policy year.

B. Insurance Conditions. Insurance obtained by the Council shall also provide: (1) exclusive authority to negotiate losses under said policies shall be vested in the Council or its authorized representative; (2) no coverage shall be brought into contribution with insurance coverage purchased by Owners or their mortgagees; (3) policies may not be canceled or substantially modified without at least thirty (30) days prior written notice to any and all insured parties; (4) any available waiver of subrogation by the insurer of claims against the Council, a Unit Owner and/or their respective agents, employees or invitees, and of any defenses based upon coinsurance or invalidity arising from the acts of the insured; (5) proceeds payable under a mortgagee endorsement shall be paid to the Council in trust for the mortgagee and the Owner as their interests may appear.

C. Separate Insurance. No Owner may acquire insurance coverage so as to decrease the amount which the Council may realize under any insurance policy or cause any insurance coverage maintained by the Council to be brought into contribution with insurance obtained by the Owner. All Owner policies shall contain waivers of subrogation, and every Owner shall promptly file a copy of every policy with the Council.

D. Insurance Trustee. The Council may designate any bank, trust company, savings and loan association, building loan association, insurance company, or any institutional lender as Insurance Trustee to hold proceeds of insurance and all policies and endorsements, and to acknowledge that the policies and any proceeds thereof will be held in accordance with the terms of this Code. The Insurance Trustee shall not be liable for payment of premiums, policy renewal, the sufficiency of coverage, the form or content of the policies, the correctness of any amounts received as proceeds, nor for the failure to collect proceeds. The sole duty of the Insurance Trustee shall be to receive in trust for the purposes of the Code such proceeds as are paid to it.

E. Council as Agent. A party accepting a deed, mortgage or other instrument providing title, a mortgage lien or another interest in the Property, irrevocably appoints the Council as agent to adjust all claims under insurance policies purchased by the Council, to receive proceeds, and to execute and deliver releases upon the payment.

F. Premiums. Premiums upon all insurance policies purchased by the Council shall be a Common Expense.

G. Reconstruction Funds. The net proceeds of insurance, together with funds collected by assessment on account of casualty, shall constitute a reconstruction fund. The reconstruction fund shall be paid by the Council or Insurance Trustee in appropriate progress payments, to those performing the work or supplying materials for reconstruction. The first monies disbursed for reconstruction shall be from insurance proceeds. Any balance in the reconstruction fund after the payment of all costs of reconstruction shall be distributed to the fund beneficiaries, as their interests may appear. Insurance proceeds shall be applied first to the cost of reconstructing Common Elements, and the balance to the cost of reconstructing any Unit damaged. The Insurance Trustee shall be entitled to rely upon a certificate of the Vice President or Vice President, and the Secretary certifying: that the damaged Property is required to be reconstructed; the name of any payee and the amount to be paid from any reconstruction fund; and all other matters concerning the holding and disbursing of any portion of any reconstruction fund.

Article 7. Unpaid Assessments No Owner other than Declarant shall convey, mortgage, hypothecate, sell, lease, give or devise a Unit or any interest in a Unit while any assessment against the Unit remains unpaid.

Article 8. Mortgages The Owner of a mortgaged Unit shall notify the Council of the name and address

of the mortgagee, and the Council, shall report any unpaid assessments on a Unit to any such mortgagee promptly upon request. The Council shall provide a copy of an audited statement for the next year preceding a written request for the statement received from any holder, insurer or guarantor of a loan secured by a lien of first mortgage on a Unit. Any such holder, insurer or guarantor shall have the right, at its own expense, to have an audited statement prepared for any year for which the Council does not provide such a statement.

Article 9. Compliance and Default. A. No Waiver of Rights. The failure of the Council to act with respect to any violation shall not constitute a waiver, and its exercise of any one or more remedies shall not be deemed an election of remedies.

B. Interest, Late Fees, and Cost of Collection. Any assessment or installment not paid when due shall be increased by the following: interest on amounts in arrears at the highest rate permitted by law; a late fee in such amount as the Council shall fix from time to time to reasonably cover extra accounting and other expense; any costs, fees and expenses incurred in collection or in foreclosing any lien.

C. Abatement and Injunction of Violations by Unit Owners. The violation of any rule or regulation, or any provision of the Condominium Documents or the Act, shall give the Council, in addition to any other right, the right to: (a) enter a Unit and summarily to remove or abate the violation at the expense of the Owner of the Unit, and the Council shall not be guilty of trespass; (b) seek appropriate remedy in law or in equity and have full reimbursement of all fees and expenses on account thereof from the party against whom the remedy is sought.

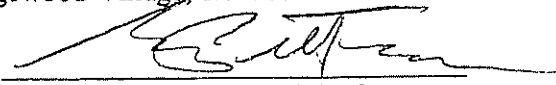
Article 10. Miscellaneous. A. Amendments. The Council or the Owners may amend the Code by a majority vote.

B. Notices. All notices, demands, bills, statements or other communications shall be in writing and shall be deemed given if delivered personally or if sent by delivery service or mail providing proof of delivery (1) if to an Owner at the Unit or at such other address as the Owner shall give to the Secretary in writing, and (2) if to the Condominium Association, the Council, an officer or agent, at the such address as the Council shall designate by notice in writing to the Owners.

C. Construction. Captions are inserted only as a matter of convenience and reference and shall not affect construction of any provision. The Code shall be liberally construed to give effect to the plan described in the Condominium Documents.

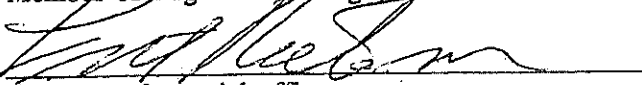
IN WITNESS WHEREOF on Jan. 15, 1997, Edgewood Village, L.L.C. has subscribed this Code of Regulations.

Edgewood Village, L.L.C.

By: 
Gregory Pettinaro, Member

State of Delaware)
County of New Castle) ss.:

This instrument was acknowledged before me on 1-15-97 1997 by Gregory Pettinaro as a Member of Edgewood Village, L.L.C.


signature of notarial officer
Notary Public, State of Delaware - My commission expires:

printed name of notarial officer: FINEBERTOMEU
NOTARY PUBLIC - DELAWARE
My commission expires Oct. 20, 1997