

BY-LAWS
OF
RUSTIC WOODS CONDOMINIUM II

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BY-LAWS
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ARTICLE I. PLAN OF CONDOMINIUM OWNERSHIP

Section 1. Condominium Home Ownership. The property located off Victory Boulevard, in the Borough of Staten Island, County of Richmond and City and State of New York, as specifically set forth in the Declaration and more commonly known as Rustic Woods Condominium II has been submitted to the provisions of Article 9-B of the Real Property Law of the State of New York.

Section 2. By-Laws Applicability. The provisions of these By-Laws are applicable to the Condominium. The term "Condominium" as used herein shall include the land and the building and improvements thereon including the Condominium Homes (hereinafter referred to as "Homes"), and the common elements and the use and occupancy thereof, the Term "Building" as hereinafter used shall be defined as the exterior walls and roof of a Home or number of Homes all of which are constructed under a continuous roof or the entire interior and exterior of any building or structure which shall form a portion of the Condominium but which does not contain any of the Homes.

Section 3. Personal Application. All present or future Home Owners, mortgagees and lessees, or their employees, guests or any other person that might use the facilities of the Community in any manner are subject to these By-Laws, the Declaration and any Rules and Regulations established by the Board of Managers. The mere acquisition or rental of any of the Homes or the mere act of occupancy of any of said Homes will signify that these By-Laws, the Declaration and the Rules and Regulations are accepted, ratified, and will be complied with.

ARTICLE II. CONDOMINIUM, VOTING, QUORUM, PROXIES AND WAIVERS

Section 1. Condominium. The condominium shall be limited to Home Owners. "Home Owner" as referred to herein shall mean all of the owners of each Home.

Section 2. Voting. Each Home Owner (including the Sponsor and the Board of Managers, if the Sponsor or the Board of Managers shall then own or hold title to one or more Homes) shall be entitled to cast one vote at all Home Owners' meetings for each Home or Homes owned by such Home Owner, but the Board of Managers shall not cast any of its votes for the election of any member to the Board.

Section 3. Quorum. So many Home Owners as shall represent at least 51% of the total authorized votes of all Home Owners present in person or represented by written proxy shall constitute a quorum at all meetings of the Home Owners for the transaction of business, except as otherwise provided by Statute, by the Declaration, or by these By-Laws. If, however, such quorum shall not be present or represented at any meeting of the Home Owners, the Home Owners entitled to vote thereat, present in person or represented by written proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting originally called.

Section 4. Vote Required to Transact Business. When a quorum is present at any meeting, the vote of a majority of the Home Owners present in person or represented by written proxy shall decide any question brought before such meeting and such vote shall be binding upon all Home Owners, unless the question is one upon which, by express provisions of the Declaration, Statute, or of these By-Laws, a different vote is required, in which case such express provisions shall govern and control the decision of such question.

Section 5. Right to Vote. At any meeting of Home Owners, every Home Owner having the right to vote shall be entitled to vote in person, or by proxy. Such proxy shall only be valid for such meeting or subsequent adjourned meetings thereof.

Section 6. Proxies. All proxies shall be in writing and shall be filed with the Secretary prior to the meeting at which the same are to be used. A notation of such proxies shall be made in the minutes of the meeting.

Section 7. Waiver and Consent. Whenever the vote of Home Owners at a meeting is required or permitted by any provision of the Declaration, Statutes or of these By-Laws to be taken in connection with any action of the Condominium, the meeting and vote of Home Owners may be dispensed with if all Home Owners who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such action being taken.

Section 8. Place of Meetings. Meetings shall be held at such suitable place convenient to the Home Owners as may be designated by the Board of Managers.

Section 9. Annual Meetings - Control of Board of Managers by Sponsor. Within thirty (30) days after title to the last Home is conveyed by the Sponsor, but in any event no later than two (2) years after the recording of the Declaration or one (1) year after the closing of title to 51% of the Homes whichever is sooner, the Sponsor shall call the first annual Home Owners

meeting. At such meeting a new Board of Managers shall be elected by the Home Owners and the former members of the Board shall thereupon resign. Thereafter, annual meetings shall be held on the anniversary of such date each succeeding year. At such meetings there shall be elected by ballot of the Home Owners a Board of Managers in accordance with the requirements of Article III of these By-Laws. The Home Owners may also transact such other business of the Condominium as may properly come before them.

Section 10. Special Meetings. It shall be the duty of the President to call a special meeting of the Home Owners as directed by the Board of Managers or upon a petition signed by a majority of the Home Owners having been presented to the Secretary.

Section 11. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Home Owner of record, at least ten but not more than twenty (20) days prior to such meeting. The mailing of a notice in the manner provided in these By-Laws shall be considered notice served.

Section 12. Order of Business. The order of business at all meeting shall be as follows:

- (a) Roll Call
- (b) Proof of notice of meeting or waiver of notice
- (c) Reading of minutes of preceding meeting
- (d) Report of officers
- (e) Report of committees
- (f) Election of inspectors of election (in the event there is an election)
- (g) Election of managers (in the event there is an election)
- (h) Unfinished business
- (i) New business

ARTICLE III. BOARD OF MANAGERS

Section 1. Number and Term. The number of Managers which shall constitute the whole Board shall not be less than three (3) and not more than nine (9). Until succeeded by the Managers elected at the first annual meeting of Home Owners, Managers need not be Home Owners; thereafter, all Managers shall be Home Owners. Within the limits above specified, the number of Managers shall be determined by the Home Owners at the annual meeting. The Managers shall be elected at the annual meeting of Home Owners, the term of office of one-third of the Managers shall be fixed for three (3) years, the term of office of one-third of the Managers shall be fixed at two (2) years, and the term of office of one-third of the Managers shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Manager, his successor shall be elected to serve a term of three

(3) years. The Managers shall hold office until their successors have been elected and hold their first meeting. But in any even, at least one-third of the members of the Board of Managers shall expire annually.

Notwithstanding the foregoing, to insure that the Sponsor has at least some minimum representation on the Board of Managers during its development and marketing program, the Sponsor shall at all times have the right, in the event such minimum representation is not obtained pursuant to the election criteria set forth above, to designate at least three (3) of the members of the Board of Managers as long as it owns more than 35% of the Homes in number, at least two (2) of the members of the Board so long as it owns less than 35% but more than 10% of the Homes in number and at least one member of the Board so long as it owns one or more Homes. Members of the Board of Managers designated by the Sponsor need not be Home Owners.

Section 2. Vacancy and Replacement. If the office of any Manager or Managers becomes vacant by reasons of death, resignation, retirement, disqualification, removal from office or otherwise, a majority of the remaining Managers, though less than a quorum, at a special meeting of Managers duly called for this purpose, shall choose a successor or successors, who shall hold office for the unexpired term in respect to which such vacancy occurred. If the vacancy occurs with respect to any member of the First Board of Managers (see Section 4 of this Article III) who has been designated by the Sponsor, the Sponsor shall have the sole right to choose such Manager's successor to fill the unexpired portion of his term.

Section 3. Removal. Managers may be removed for cause by an affirmative vote of a majority of the Home Owners. No Manager other than a member of the First Board of Managers or a Manager elected or designated by the Sponsor, shall continue to serve on the Board if, during his term of office, he shall cease to be a Home Owner.

Section 4. First Board of Managers. The first Board of Managers shall consist of Stephen Wolkoff, Julie Wolkoff and Phyllis Catarazano, who shall hold office and exercise all powers of the Board of Managers until the first annual meeting of Home Owners. A Home Owner, who is independent of the Sponsor, shall be elected by a majority of the Home Owners other than Sponsor to the first Board at a meeting held within sixty (60) days of the closing of title to the first Home. If no such election has been made, then Sponsor may designate such member. Any or all of said Managers shall be subject to replacement in the event of resignation or death in the manner set forth in Section 2 of this Article.

Section 5. Powers.

(a) The property and business of the Condominium shall be managed by its Board of Managers, which may exercise all such powers of the Condominium and do all such lawful acts and things as are not by Statute or by the Declaration or by these By-Laws, directed or required to be exercised or done by the Home Owners personally. These powers shall specifically include, but not be limited to, the following items:

1. To determine and levy monthly assessments ("common charges") to cover the cost of common expenses, payable in advance. The Board of Managers may increase the monthly assessments or vote a special assessment in excess of that amount, if required, to meet any additional necessary expenses, but said increases can only be assessed among the Home Owners pro-rata according to their respective common interests;
2. To collect, use, and expend the assessments collected to maintain, care for and preserve the Homes, Buildings, and other common elements;
3. To make repairs, restore or alter any Homes or the common elements after damage or destruction by fire or other casualty or as a result of condemnation or eminent domain proceedings;
4. To enter into and upon the Homes when necessary and at as little inconvenience to the Home Owners as possible in connection with the maintenance, care, and preservation of the property;
5. To open bank accounts on behalf of the Condominium and to designate the signatories to such By-Laws;
6. To insure and keep insured the common elements and Home in accordance with Article VII of these By-Laws;
7. To collect delinquent assessments by suit or otherwise, to abate nuisances and to enjoin or seek damages from the Home Owners of the property for violations of the house rules or rules and regulations herein referred to;
8. To purchase any Home at a foreclosure sale on behalf of all Home Owners;
9. To make reasonable rules and regulations and to amend the same from time to time, and such rules and regulations and amendments shall be binding upon the Home Owners

when the Board has approved them in writing. A copy of such rules and all amendments shall be delivered to each Home;

10. To employ and terminate the employment of employees and independent contractors and to purchase supplies and equipment, to enter into contracts, and generally to have the powers of a manager in connection with the matters hereinabove set forth;

11. To bring and defend actions by or against more than one Home Owner and pertinent to the operation of the Condominium. The Board may, in its discretion, fund the cost of any such litigation out of the common charge assessments. The Board shall also have the right to engage in any litigation it deems necessary to carry out the provisions of the Declaration of Condominium and these By-Laws and may fund the cost of any such litigation out of the common charge assessments. Without limiting the foregoing, the Board may engage in litigation pertaining to the enforcement of the Sponsor's Obligations, as such obligations are set forth in the Offering Plan for the Condominium, and to the maintenance and operation of the common elements;

12. To acquire Homes in foreclosure or as a result of abandonment and to take any or all steps necessary to repair or renovate any Home so acquired and to vote as a Home Owner, offer such Home for sale or lease or take any other steps regarding such Home as shall be deemed proper by the Board of Managers;

13. To grant utility or other easements as may, at any time, be required for the benefit of the Condominium and Home Owners without the necessity of the consent thereto, or joinder therein, by the Home Owners or any mortgagee;

14. To borrow money on behalf of the Condominium when required in connection with the operation, care, upkeep and maintenance of the common elements, provided, however, that (i) the consent of at least 66-2/3% in number of all Home Owners, obtained at a meeting duly called and held for such purpose in accordance with the provisions of these By-Laws, shall be required for the borrowing of any sum in excess of \$15,000 and (ii) no lien to secure repayment of any sum borrowed may be created on any Home or its appurtenant interest in the common elements without the written consent of the Owner of said Home;

15. To act as an agent of each Home Owner who has given his written authorization to complain or apply to the local and county real estate tax assessment agency board of review

by filing a single complaint on behalf of all such Home Owners pursuant to the applicable sections of the Real Property Tax Law. The Board of Managers may retain legal counsel on behalf of all Home Owners for which it is acting as agent and charge all such Home Owners a pro rata share of expenses, disbursements, and legal fees for which charges the Board of Managers shall have a lien pursuant to Article VI of these By-Laws.

(b) The Board of Managers may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each of such committees to consist of at least three (3) Managers or Home Owners one of whom shall be a Manager, which, to the extent provided in said resolution or resolutions, shall have and may exercise the powers of the Board of Managers in the management of the business affairs of the Condominium and may have the power to sign all papers which may be required, provided the resolution or resolutions shall specifically so provide. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Managers. Committees established by resolution of the Board of Managers shall keep regular minutes of their proceedings and shall report the same to the Board as required.

Section 6. Repairs and Maintenance. All maintenance, repairs and replacements to the common elements of the property including but not limited to exterior walls, roof and roof members as well as all maintenance, repairs and replacements to any public utility lines, any portion of which is located in one Home and services another Home or more than one Home or so much of any pipes, wires, conduits and public utility lines as are located in the common elements but serve one or more Homes shall be made by the Board of Managers and the cost thereof shall be a common expense. Except as is otherwise specifically provided, all maintenance to the Homes, including electrical repairs, plumbing stoppages, window cleaning, painting and decorating in the Homes, except for painting of the exterior surfaces of doors and windows which open from a Home, which painting is performed by the Board of Managers, repairs and replacements to the Homes including windows and doors (including all glass breakage), and repairs to pipes, wires and conduits located in and servicing the same Home, other than as set forth above, shall be made by the respective Home Owners at their own expense. All irrevocably restricted common elements shall be maintained and repaired by the Home Owner to whom such common element is restricted in use. However, the Board of Managers shall repair and replace any pipes, wires, conduits and public utility lines located underground or overhead of any irrevocably restricted common element and shall make all necessary structural repairs to any irrevocably restricted common element and the cost thereof shall be a common expense, except where such repair or replacement is necessitated by the negligence,

misuse or neglect of the Home Owner to whom the common element is restricted in use, in which event such cost and expense shall be assessed to and paid for by such Home Owner. The Board of Managers shall repair all plumbing stoppages and electrical problems occurring in the common elements. The Board of Managers and its agents, employees and contractors shall have a right of access to any Home and to all portions of the common elements for the purpose of carrying out any of its obligations under these By-Laws or the Declaration of Condominium. All repairs, painting or maintenance, whether made by the Home Owner or by the Board of Managers to the doors, windows, or the exterior surface of any Building, including roofs, or to any generally visible portion of the common elements shall be carried out in such a manner so as to conform to the materials, style and color initially provided by the Sponsor. In the event that a Home Owner fails to make any maintenance or repair, which maintenance or repair is necessary to protect any of the common elements, any other Home, or, in the event of service of a Building Department violation notice covering the Home upon the Board of Managers, the Board of Managers shall have the right to make such maintenance or repair (after the failure of the Home Owner to do so after ten (10) days written notice, or written or oral notice of a shorter duration in the event of an emergency situation) and to charge the Home Owner for the cost of all such repairs and/or maintenance. In the event that the Board of Managers charges a Home Owner for repairs or maintenance to his Home or for repairs to any common element restricted in use to such Home Owner, and the Home Owner fails to make prompt payment, such charges shall be considered as additional common charges due from said Home Owners, and the Board of Managers shall be entitled to bring suit thereon. In the event the Board brings such a suit, the Home Owner shall be liable for the reasonable Attorneys' fees and cost of such suit or proceeding together with interest on all sums due.

The Homeowners Association shall also provide snow removal for the private street, the general parking areas and the driveways serving such general parking areas for snowfalls of three inches or more. The individual Home Owners will be responsible for snow removal on the sidewalks in front of their Homes and for snow removal for the irrevocably restricted parking spaces and driveways, if any, in the yard areas of the individual Homes.

Section 7. Compensation. Managers and officers, as such, shall receive no compensation for their services.

Section 8. Meetings. (a) The first meeting of each Board newly elected by the Home Owners shall be held immediately upon adjournment of the meeting at which they were elected, provided a quorum shall then be present, or as soon thereafter as may be practicable. The annual meeting of the Board of Managers shall be held at the same place as the Home Owners meetings, and immedi-

ately after the adjournment of same, at which time the date, places and times of regularly scheduled meetings of the Board shall be set.

(b) Regularly scheduled meetings of the Board may be held without special notice.

(c) Special meetings of the Board may be called by the President on two (2) days notice to each Manager either personally or by mail or telegram. Special meetings shall be called by the President or Secretary in a like manner and on like notice on the written request of at least three (3) Managers.

(d) At all meetings of the Board, a majority of the Managers shall be necessary and sufficient to constitute a quorum for the transaction of business, and an act of the majority of the Managers present at any meeting at which there is a quorum shall be the act of the Board of Managers, except as may be otherwise specifically provided by statute or by the Declaration or by these By-Laws. If a quorum shall not be present at any meetings of Managers, the Managers present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

(e) Before or at any meeting of the Board of Managers, any Manager may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Manager at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Managers are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 9. Annual Statement. The Board of Managers shall furnish to all Home Owners, their mortgagees and the Department of Law of the State of New York and shall present annually (at the annual meeting and when called for by a vote of the Home Owners at any special meeting of the Home Owners, a full and clear statement of the business conditions and affairs of the Condominium, including a balance sheet and profit and loss statement verified by an independent public accountant and a statement regarding any taxable income attributable to the Home Owner and a notice of the holding of the annual Home Owners meeting.

Section 10. Fidelity Bonds. The Board of Managers may require that all officers and employees of the Condominium handling or responsible for Condominium funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be a common expense.

Section 11. Management Agent. The Board of Managers may employ for the Condominium a management agent under a term contract or otherwise at a compensation established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to, all of the delegable duties of the Board listed in this Article.

Section 12. Liability of the Board of Managers and Home Owners. Any contract, agreement or commitment made by the Board of Managers shall state that it is made by the Board of Managers, as agent for the Home Owners as a group only and that no member of the Board of Managers nor individual Home Owners shall be liable for such contract, agreement or commitment. The Home Owners shall be liable as a group under such contract, agreement or commitment but the liability of each Home Owner shall be limited to such proportion of the total liability thereunder as his common interest bears to the common interest of all Home Owners. The Board of Managers shall have no liability to the Home Owners in the management of the Community except for wilful misconduct or bad faith and the Home Owners shall severally indemnify all members of the Board of Managers against any liabilities or claims arising from acts taken by a member of the Board of Managers in accordance with his duties as such member except acts of wilful misconduct or acts made in bad faith. Such several liability of the Home Owners shall, however, be limited as to each Home Owner to such proportion of the total liability thereunder as such Home Owner's common interest bears to the common interest of all Home Owners.

ARTICLE IV. OFFICERS

Section 1. Elective Officers. The officers of the Condominium shall be chosen by the Board of Managers and shall be a president, a vice president, a secretary and a treasurer. The Board of Managers may also choose one or more assistant secretaries and assistant treasurers and such other officers as in their judgment may be necessary. All officers must be Home Owners or members of the Board of Managers. Two or more officers may not be held by the same person.

Section 2. Election. The Board of Managers at its first meeting after each annual Home Owners Meeting shall elect a president, a vice president, a secretary and a treasurer. Only the president must be a member of the Board.

Section 3. Appointive Officers. The Board may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 4. Term. The officers shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Managers may be removed with or without cause, at any time, by the affirmative vote of a majority of the whole Board of Managers. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Managers.

Section 5. The President. The President shall be the chief executive officer of the Condominium; he shall preside at all meetings of the Home Owners and Managers, he shall be an ex-officio member of all standing committees, shall have general and active management of the business of the Condominium, shall see that all orders and resolutions of the Board are carried into effect and shall have such other powers and duties as are usually vested in the office of President of a stock corporation organized under the Business Corporation Law of the State of New York.

Section 6. The Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act and shall have such other powers and duties as are usually vested in the office of Vice President of a stock corporation organized under the Business Corporation Law of the State of New York.

Section 7. The Secretary. The Secretary and/or Assistant Secretary shall attend all sessions of the Board and all Home Owners meetings and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notices of all Home Owners meetings and special meetings of the Board of Managers, and shall perform such other duties as may be prescribed by the Board of Managers or by the President, under whose supervision he shall be.

Section 8. The Treasurer. The Treasurer shall have the custody of the Condominium funds and securities and shall keep full and accurate chronological accounts of receipts and disbursements in books belonging to the Condominium including the vouchers for such disbursements, and shall deposit all monies and other valuable effects in the name and to the credit of the Condominium in such depositories as may be designated by the Board of Managers.

He shall disburse the funds of the Condominium as he may be ordered by the Board, making proper vouchers for such disbursements and shall render to the President and Managers, at the regular meeting of the Board or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Condominium.

He shall keep detailed financial records and books of account of the Condominium, including a separate account for each Home which, among other things, shall contain the amount of each assessment of common charges against such Home, the date when due, the amounts paid thereon and the balance remaining unpaid.

Section 9. Agreements, etc. All agreements and other instruments shall be executed by the President or such other person as may be designated by the Board of Managers.

ARTICLE V. NOTICES

Section 1. Definition. Whenever under the provisions of the Declaration or of these By-Laws, notice is required to be given to the Board of Managers, any Manager or Home Owner, it shall not be construed to mean personal notice; but such notice may be given in writing, by mail, by depositing the same in a post office or letter box in a postpaid sealed wrapper, addressed to the Board of Managers, such Manager or Home Owner at such address as appears on the books of the Condominium.

Section 2. Service of Notice-Waiver. Whenever any notice is required to be given under the provisions of the Declaration, or of these By-Laws, a waiver thereof, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent thereof.

ARTICLE VI. FINANCES

Section 1. Checks. All checks or demands for money and notes of the Condominium shall be signed by the President and person or persons as the Board of Managers may from time to time designate.

Section 2. Assessments. The Board of Managers shall, from time to time, but at least annually, fix and determine the budget representing the sum or sums necessary and adequate for the continued operation of the Condominium and shall send a copy of the budget and any supplement to the budget to every Home Owner and mortgagee. They shall determine the total amount required, including the operational items such as insurance, repairs, reserves, betterments, maintenance of the common elements and other operating expenses as well as charges to cover any deficits from prior years. The total annual requirements shall be assessed as a single sum against all Homes and prorated against each of said Homes according to the respective common interests appurtenant to such Homes. This proration of assessments shall remain constant regardless of the percentage of the buildings' square footage included in each Home or the common elements restricted to the use of

the Owner of said Home. All of said assessments shall be payable in advance as ordered by the Board of Managers. Special assessments, should such be required, shall be levied and paid in the same manner as hereinabove provided for regular assessments. The Home Owner agrees to pay promptly when due the monthly and all special assessments assessed against his own Home. In the event of a default in the payment of monthly common charge assessments by any Home Owner, the Board, at its sole option, may declare the common charge assessment on said Home Owner's Home for the balance of the fiscal year immediately due and payable. Prior to making any such declaration following a default, the Board shall send notice to the delinquent Home Owner and the Mortgagee, if any, of such Home giving the Home Owner a five (5) day grace period in which to make his payment. The Board may charge the delinquent Home Owner a fee of not more than twenty dollars to cover the additional burden to the Board occasioned by the lack of timely payment. Interest at the highest legal rate may also be collected by the Board on the common charge assessment from its due date to the date payment is actually received from the Home Owner. Special assessments, should such be required, shall be levied and paid in the same manner as hereinabove provided for regular assessments. The Home Owner agrees to pay promptly when due the monthly and all special assessments assessed against his own Home. Any Home Owner who fails to pay the monthly assessment imposed by the Condominium to meet any community expense shall be liable for any expenses incurred by the Condominium in collecting said monthly assessment including interest at the highest legal rate and reasonable attorneys' fees. The Board shall take action to collect any common charges due from any Home Owner which remain unpaid ninety (90) days from its due date by way of foreclosure of the lien on such Home in accordance with Section 339 of the Real Property Law or otherwise.

No Home Owner shall be liable for any common charges which accrue against his Home subsequent to a sale, transfer or other conveyance by him of his Home in accordance with these By-Laws and the Declaration. A purchaser of a Home (other than a mortgagee or a purchaser at a foreclosure sale) shall be liable for the payment of all common charges assessed against the Home and unpaid at the time of the purchase.

Section 3. Foreclosure of Liens for Unpaid Common Charges. The Board shall have the power to purchase any Home at a foreclosure sale resulting from any action brought by the Board to foreclose a lien on the Home because of unpaid common charges. In the event of such purchase, the Board shall have the power to hold, lease, mortgage, vote, sell or otherwise deal with the Home. A suit to recover a money judgment for unpaid common charges shall also be obtainable separately without waiving the lien on the Home.

Section 4. Statement of Common Charges and Financial Statements. Upon the written request of any Home Owner or his mortgagee, the Board shall promptly furnish such Home Owner or his mortgagee with a written statement of the unpaid common charges due from such Home Owner. Within ninety (90) days of the close of the Condominium's fiscal year, the Board of Managers shall arrange to deliver to each Home Owner and their mortgagee, if any, an annual report of the Condominium, including a balance sheet and profit and loss statement certified or verified by an independent public accountant.

Section 5. Liability for Water, Gas and Electricity. All gas and electricity consumed in the common elements and all water consumed in the Homes and on the common elements shall be a common expense. Gas and electricity consumed in each Home shall be individually metered and paid for by the respective Home Owner.

Section 6. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account", into which shall be deposited the operating portion of all monthly and special assessments as fixed and determined for all Homes. Disbursements from said account shall be for the general needs of the operation including, but not limited to, wages, repairs, betterments, maintenance and other operating expenses of the common elements and for the purchase, lease, sale or other expenses resulting from the purchase or lease of Homes.

Section 7. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes.

ARTICLE VII. INSURANCE AND INSURANCE TRUSTEE

Section 1. Insurance to be Carried by the Board. The Board of Managers shall be required to obtain and maintain, to the extent obtainable, the following insurance: fire insurance with extended coverage, water damage, vandalism and malicious mischief endorsements, insuring all of the Buildings in the Condominium including all of the Homes and the bathrooms and fixtures initially installed therein by the Sponsor (but not including furniture, furnishings or other personal property supplied or installed by Home Owners), together with all heating, air-conditioning and other service machinery, contained therein, covering the interest of the Condominium, the Board of Managers and all Home Owners and their Mortgagees, as interest may appear, in an amount equal to 90% of the replacement value of the Buildings. Each of such policies shall contain a New York standard mortgagee clause in favor of each mortgagee of a Home which shall provide that the loss, if any, thereunder shall be payable to such mortgagee as its interest may appear, subject however, to the loss payment provisions in favor of the Board of Managers and the Insurance Trustee hereinafter set forth; and such other insurance as the Board of Managers may determine. All such policies shall

provide that adjustment of loss shall be made by the Board of Managers with the approval of the Insurance Trustee, and that the net proceeds thereof, if \$60,000 or less, shall be payable to the Board of Managers, and if more than \$60,000 shall be payable to the Insurance Trustee. The Board of Managers is hereby irrevocably appointed agent for each Home Owner and for each Owner of a mortgage or other lien upon a Home and for each Owner of any other interest in the condominium property to adjust all claims arising under insurance policies purchased by the Board of Managers and to execute and deliver releases upon the payment of claims.

The fire insurance will commence with the closing of title to the first Home in an amount as required by the mortgagee of such Home and such amount will be increased upon the closing of title to all Homes and until the first meeting of the Board of Managers following the first Home Owners' meeting, such amount shall be at least in the sum of \$6,240,000.

All policies of physical damage insurance shall contain waivers of subrogation and of any reduction of pro rata liability of the insurer as a result of any insurance carried by Home Owners or of the invalidity arising from any acts of the insureds or any Home Owners, and shall provide that such policies may not be cancelled or substantially modified without at least ten (10) days prior written notice to all of the insured, including all mortgagees of Homes. Duplicate originals of all policies of physical damage insurance and of all renewals thereof, together with proof of payment of premiums, shall be delivered to all mortgagees of Homes at least ten (10) days prior to expiration of the then current policies. Prior to obtaining any policy of fire insurance or any renewal thereof, the Board of Managers shall obtain an appraisal from a fire insurance company or otherwise of the full replacement value of the Buildings, including all of the common elements appurtenant thereto, for the purpose of determining the amount of fire insurance to be effected pursuant to this Section.

The Board of Managers shall also be required to obtain and maintain, to the extent obtainable, public liability insurance in such limits as the Board of Managers may from time to time determine, covering each member of the Board of Managers, the managing agent and each Home Owner. Such public liability coverage shall also cover cross liability claims of one insured against another. Until the first meeting of the Board of Managers following the first annual Home Owners' meeting, such public liability insurance shall be in a single limit of \$1,000,000 covering all claims for bodily injury and for property damage arising out of one occurrence. Such public liability insurance shall commence on the closing of title to the first Home.

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

Section 2. The Insurance Trustee. The Insurance Trustee shall be the First Federal Savings Bank, 2960 Victory Boulevard, Staten Island, New York 10314, unless and until it shall be replaced by a bank or trust company located in the State of New York designated by the Board of Managers. All fees and disbursements of the Insurance Trustee shall be paid by the Board of Managers and shall constitute a common expense of the Condominium. In the event the Insurance Trustee resigns or fails to qualify, the Board of Managers shall designate a new Insurance Trustee which shall be a bank or trust company located in the State of New York.

Section 3. Restoration or Reconstruction After Fire or Other Casualty. In the event of damage to or destruction of the Buildings as a result of fire or other casualty (unless 75% or more of the Homes are destroyed or substantially damaged and 75% or more of the Home Owners do not duly and promptly resolve to proceed with repair or restoration), the Board of Managers shall arrange for the prompt repair and restoration of the Buildings (including any kitchen or bathroom fixtures initially installed therein by the Sponsor, any heating, air conditioning or other service machinery which is covered by insurance but not including any wall, ceiling or door decorations or coverings or other furniture, furnishings, fixtures or equipment installed by Home Owners in the Homes), and the Board of Managers or the Insurance Trustee, as the case may be, shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration in appropriate progress payments. Any cost of such repair and restoration in excess of the insurance proceeds shall constitute a common expense and the Board of Managers may assess all the Home Owners for such deficit as part of the common charges.

If 75% or more of the Homes are destroyed or substantially damaged and 75% or more of the Home Owners do not duly and promptly resolve to proceed with repair or restoration, the Property shall be subject to an action for partition at the suit of any Home Owner or lienor, as if owned in common, in which event the net proceeds of sale, together with the net proceeds of insurance policies (or if there shall have been a repair or restoration pursuant to the first paragraph of this Section 3, and the amount of insurance proceeds shall have exceeded the cost of such repair or restoration then the excess of such insurance proceeds shall be divided by the Board of Managers or the Insurance Trustee, as

the case may be, among all the Home Owners in proportion to their respective common interests, after first paying out of the share of each Home Owner the amount of any unpaid liens on his Home, in the order of the priority of such liens.

ARTICLE VIII. HOUSE RULES

In addition to the other provisions of these By-Laws, the following house rules and regulations as may hereafter be adopted by the Board of Managers shall govern the use of the Homes and the conduct of all residents thereof.

Section 1. Owners of a Home, members of their families, their employees, guests and their pets shall not use or permit the use of the premises in any manner which would be illegal or disturbing or a nuisance to other said owners, or in such a way as to be injurious to the reputation of the Condominium.

Section 2. The common elements shall not be obstructed, littered, defaced or misused in any manner.

Section 3. Every Home Owner shall be liable for any and all damage to the common elements and the property of the Condominium, which shall be caused by said Home Owner or such other person for whose conduct he is legally responsible.

Section 4.

(a) Every Home Owner must perform promptly all maintenance and repair work to his own Home which, if omitted, would affect the Community in its entirety or in a part belonging to other Home Owners, or the building of which his Home forms a part, he being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs to internal installations of the Home located in and servicing only that Home, such as telephones and sanitary installations shall be at the Home Owner's expense.

Section 5. A Home Owner may not make any alterations to the exterior of the Home or any part of the common elements without the written consent of the Board of Managers. An Owner shall not make structural modifications to the Home or other alterations which would impair the structural soundness of the Home without the written consent of the Board of Managers or its designated agent. Consent may be requested by mailing a letter, certified mail, return receipt requested to the Managing agent, if any, or to the President of the Board of Managers, if no managing agent is employed. The Board of Managers shall have the

shall have the obligation to answer within thirty (30) days and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration. This paragraph shall not apply to Sponsor.

Section 6.

(1) No terrace or patio shall be installed in any yard area without the prior written consent of the Board of Managers or managing agent.

(2) No Home Owner shall paint the exterior surfaces of the windows and doors opening out of his Home and all exterior storm doors shall be brown.

(3) No person shall park a vehicle in or otherwise obstruct ingress or egress to another Home Owner's garage or irrevocably restricted parking space.

(4) Each Home Owner shall keep his Home in a good state of preservation and cleanliness, and shall not sweep or throw or permit to be swept or thrown therefrom, or from the doors, or windows thereof, any dirt or other substance.

(5) No radio or television aerial shall be attached to or hung from the exterior of the Home except such as shall have been approved in writing by the Board of Managers or the managing agent; nor shall anything be projected from any windows of the Buildings without similar approval.

(6) No Home Owner or any of his agents, servants, employees, licensees, or visitors shall at any time bring into or keep in his Home any inflammable, combustible or explosive fluid, material, chemical or substance, except for normal household use.

(7) No Home Owner shall make or permit any disturbing noises in his Home, or do or permit anything to be done therein, which will interfere with the rights, comforts or conveniences of other Home Owners. No Home Owner shall play upon or suffer to be played upon any musical instrument, or operate or permit to be operated a phonograph or a radio or television set or other loud speaker in such Owner's Home between the hours of twelve o'clock midnight and the following seven o'clock A.M., if the same shall disturb or annoy other occupants of the Buildings and in no event shall practice or suffer to be practiced either vocal or instrumental music between the hours of ten P.M. and the following nine A.M.

(8) No Home Owner shall erect a fence or gate in the Community higher than five (5) feet nor shall such fence be constructed without the prior written consent of the Board of Managers.

(9) It is prohibited to hang garments, rugs, etc., from the windows or from any of the Buildings or to string clotheslines on or over the common elements (including any irrevocably restricted areas).

(10) No sign of any kind shall be displayed to the public view on or in any Home, except a one-family name or professional sign of not more than two hundred forty square inches, advertising the property for sale or rent. No such sign shall be illuminated except by non-flashing white light emanating from within or on the sign itself and shielded from direct view.

(11) No fencing of side yards will be permitted, and only shrubbery may be planted in side yards.

The provisions set forth above shall not be applicable to the Sponsor. The Sponsor, its nominees and agents, shall have the right and privilege to maintain general and local sales offices in and about the Condominium, including any model Homes located within the Condominium Buildings or elsewhere throughout the project, and shall have the right and privilege to have their representatives, employees and agents present on the Condominium premises to show the Homes to prospective purchasers, to utilize the common elements, and, without limitation, to do any and all things necessary and incident to the sale of the Homes, without charge or contribution other than in the form of common charge payments as otherwise provided for herein.

The Sponsor shall have the right to continue to employ signs of its choice upon the Condominium premises in its efforts to market and sell the Homes. Incident to the rights and privileges provided for herein, the officers, employees agents, contractors, guests and invitees of the Sponsor, its successors and assigns, shall have the right of ingress and egress to and throughout the common elements of the Condominium. The last two paragraphs of this Article VIII may not be modified or amended without the written consent of th Sponsor so long as the Sponsor continues to own one or more unsold Homes.

ARTICLE IX. DEFAULT

In the event a Home Owner does not pay any sums, charges or assessments required to be paid when due, the Board of Managers, acting in behalf of the Board shall notify the Home Owner and the mortgagee, if any, of such Home. In such an instance the Board may, at its sole option, declare the common charge assessment on said Home Owner's Home for the balance of the fiscal year immediately due and payable. Prior to making any such declaration following a default the Board shall send notice to the delinquent Home Owner and the mortgagee, if any, of such

Home, giving the Home Owner a five (5) day grace period in which to make his payment. The Board may charge the delinquent Home Owner a fee of not more than twenty dollars to cover the additional burden to the Board occasioned by the lack of timely payment. Interest at the highest legal rate may be collected by the Board on the common charge assessment from its due date to the day payment is actually received from the Home Owner. If any sum, charge or assessment shall remain unpaid for ninety (90) days after the giving of notice by the Board of Managers or Manager, acting in behalf of the Board, that the payment is overdue, the Board may foreclose the lien encumbering the Home as a result of the nonpayment of the required monies as set forth in the Declaration (subject to the lien of any first mortgage), in the same manner as the foreclosure of a mortgage. In the event the Owner of a Home does not pay the assessment required to be paid by him within ninety (90) days of its due date, said sum shall bear interest at the highest legal rate from its due date and said Home Owner shall be liable for the Condominium's reasonable costs and reasonable attorneys' fees incurred by it incident to the collection or enforcement of such lien.

Each Home Owner, for himself, his heirs, successors and assigns, agrees to the foregoing provisions relating to default, regardless of the harshness of the remedy available to the Condominium and regardless of the availability of other, equally adequate legal procedures. It is the intent of all Home Owners to give the Condominium a method and procedure which will enable it at all times to operate on a business like basis, to collect those monies due and owing it from the Home Owners and to preserve each Home Owner's right to enjoy his Home free from unreasonable restraint.

ARTICLE X. AMENDMENTS

These By-Laws may be altered, amended or added to at any duly called Home Owners' meeting; provided: (1) that the notice of the meeting shall contain a full statement of the proposed amendment; (2) that the amendment shall be approved by eighty percent (80%) of the Home Owners in number and common interest and (3) said amendment shall be set forth in a duly recorded amendment to the Declaration. However, no amendment will affect or impair the validity or priority of the Home Owners' interests and the interests of holders of a mortgage encumbering a Home or Homes.

ARTICLE XI. SELLING, MORTGAGING AND LEASING HOMES

Section 1. Selling and Leasing Homes. Any Home may be conveyed or leased by its Home Owner free of any restrictions except that no Home Owner shall convey, mortgage, pledge, hypothecate,

sell or lease his Home unless and until all unpaid common charges assessed against his Home shall have been paid to the Board of Managers. However, such unpaid common charges can be paid out of the proceeds from the sale of a Home, or by the Grantee. Further, a Home Owner may convey his Home and his common interest appurtenant thereto, to the Board of Managers on behalf of all Home Owners free of any cost to the Board or the Home Owners and upon such conveyance such Home Owner shall not be liable for any common charges thereafter accruing against such Home.

Any sale or lease of any Home in violation of this section shall be voidable at the election of the Board.

The provisions of this section shall not apply to the acquisition or sale of a Home by a mortgagee who shall acquire title to such Home by foreclosure or by deed in lieu of foreclosure. Such provisions shall, however, apply to any purchaser from such mortgagees. The provisions of this section shall not apply to a Home owned by the Sponsor or its designee until a deed to such Home has been delivered to a purchaser thereof.

Whenever the term "Home" is referred to in this section, it shall include the Home, the Home Owner's undivided interest in the common elements and the Home Owner's interest in any Homes acquired by the Board of Managers.

Section 2. Waiver of Partition Rights. The Home Owners waive all of their voting rights concerning partition respecting any Home acquired by the Board of Managers in accordance with this Article.

Section 3. Mortgaging of Homes. No Home Owner shall mortgage his Home except by a mortgage loan granted by a federal or state savings and loan association, savings or commercial bank, life insurance company, union pension fund, agency of the United States Government or agency of the State of New York or other similar institutional lender or a purchase money mortgage loan granted by the Sponsor.

Section 4. Gifts, etc. Any Home Owner may convey or transfer his Home by gift during his lifetime or devise his Home by will or pass the same by intestacy, without restriction.

ARTICLE XII. CONDEMNATION

In the event all or part of the common elements are taken in condemnation or eminent domain proceedings, the award from such proceedings shall be paid to the Insurance Trustee if the

award is more than \$60,000 and to the Board of Managers if the award is \$60,000 or less, to be distributed in accordance with Section 3 of Article VII but in the following amounts:

(a) so much of the award as is applicable to unrestricted common elements, to the Home Owners pro rata according to the respective common interest appurtenant to the Homes owned by such Home Owners.

(b) So much of the award as is applicable to irrevocably restricted common elements to the Home Owner having general use of such common element.

In such eminent domain or condemnation proceeding the Board shall request that the award shall set forth the amount allocated to unrestricted common elements and to each irrevocably restricted common element. In the event the award does not set forth such allocation then the question of such allocation shall be submitted to the arbitration in accordance with the Arbitration Statutes of the State of New York.

ARTICLE XIII. MISCELLANEOUS

Section 1. Insurance. Under no circumstances shall a Home Owner permit or suffer anything to be done or left in his Home which will increase the insurance rates on his Home or any other Home or on the common elements.

Section 2. Severability. Should any of the covenants, terms or provisions herein imposed be void or be or become unenforceable at law or in equity, the remaining provisions of these By-Laws shall, nevertheless, be and remain in full force and effect.

Section 3. Notice to Condominium. A Home Owner who mortgages his Home, shall notify the Condominium through the management agent, if any, or the President of the Board of Managers in the event there is no management agent, of the name and address of his mortgagee; and the Board of Managers shall maintain such information in a book entitled "Mortgagees of Homes".

Section 4. Notice of Unpaid Assessments. The Board of Managers shall at the request of a mortgagee of a Home, report any unpaid assessments due from the Home Owners of such Home.

Section 5. Examination of Books and Records. Every Home Owner or his representative and mortgagee shall be entitled to examine the books and records of the Condominium on reasonable notice to the Board but not more often than once a month.

Section 6. Construction. Wherever the masculine singular form of the pronoun is used in these By-Laws, it shall be construed to mean the masculine, feminine or neuter; singular or plural; wherever the context so requires.

Section 7. Compliance with Article 9-B. These By-Laws are set forth to comply with the requirements of Article 9-B of the Real Property Laws of the State of New York. In case any of these By-Laws conflict with the provisions of said Statute or of the Declaration, the provisions of the Statute or of the Declaration, whichever the case may be, shall control.

Section 8. Attendance at Home Owners Association Meetings. The Board of Managers shall be responsible for ensuring that one or more of its members, or a duly authorized representative of the Board, attend each meeting of the Rustic Woods Homeowners Association, Inc. and reports back to the Board and to the Home Owners on the issues raised at said meetings.