

BY-LAWS
OF
CONCORD COURT ASSOCIATION, INC.

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BY-LAWS
OF
CONCORD COURT
ASSOCIATION, INC.

ARTICLE I

NAME, LOCATION AND MEMBERSHIP

Section 1.01 Name and Location. The name of the corporation is the CONCORD COURT ASSOCIATION, INC. hereinafter referred to as the "Association". The principal office of the corporation shall be located in the Town of Halfmoon, County of Saratoga and State of New York.

Section 1.02 Applicability of By-Laws. The provisions of these By-Laws are applicable to the Property of the Association and to use thereof.

Section 1.03 Personal Application. All present and future Owners (hereinafter referred to as "Members"), mortgagees, lessees, occupants of Units, their employees and invitees, any person having a right to use all or a portion of Association Property (as hereinafter defined) by virtue of rights previously granted by deed and any other persons who may use the facilities of the Property in any manner are subject to these By-Laws, the Declaration (as hereinafter defined) and the Rules and Regulations (as hereinafter defined).

ARTICLE II

DEFINITIONS

Section 2.01 Definitions. The following words, phrases or terms when used in these By-Laws shall, unless the context otherwise prohibits, have the following meanings:

a. ASSOCIATION shall mean and refer to the CONCORD COURT ASSOCIATION, INC.

b. ASSOCIATION PROPERTY or PROPERTY shall mean and refer to all land, improvements thereon and other properites, personal or mixed, heretofore or hereafter owned by the CONCORD COURT ASSOCIATION, INC.

c. DECLARATION shall mean and refer to the Declaration of Protective Covenants, Conditions, Restrictions, Easements, Charges and Liens of CONCORD COURT ASSOCIATION, INC., as it may from time to time be supplemented, extended or amended in the manner provided therein.

d. DISTRICT shall mean and refer to the approximately 80 acre parcel of land located in the Town of Halfmoon, New York on which will be developed the planned development district known as "Knox Woods", as more fully shown on Schedule "B" of the Declaration.

e. LOT shall mean and refer to any portion of the District (with the exception of Association Property) (i) identified as a separate parcel on the tax records of the Town of Halfmoon, New York or (ii) shown as a separate Lot upon any recorded or filed subdivision map in the Saratoga County Clerk's Office.

f. MEMBER shall mean and refer to each holder of membership interest in the Association, as such interests are set forth in Article II of the Declaration.

g. OWNER or UNIT OWNER shall mean and refer to the holder of record title, whether one or more persons or entities, of the fee interest in any Lot or Unit, whether or not such holder actually resides in such Unit, and shall include the Sponsor with respect to any unsold Unit.

h. PROJECTED UNIT shall mean and refer to any Unit contemplated for construction in the District.

i. RULES AND REGULATIONS shall mean and refer to the Rules and Regulations promulgated by the Board of Directors of the Association pursuant to Section 5.12(h) hereof, as the same may be amended from time to time.

j. SPONSOR shall mean and refer to THE MICHAELS GROUP, its successors and assigns.

k. TRANSFER OF CONTROL DATE shall mean and refer to the date on which (i) the Sponsor has transferred title to all Units in the District or (ii) five (5) years after the Sponsor has recorded the Declaration, whichever first occurs.

l. UNIT shall mean and refer to each completed dwelling Unit, if any, situated in the District, (as evidenced by a Certificate of Occupancy issued by the Town of Halfmoon) including the garage of those Units having one, whether such Unit is Owner-occupied or leased to a tenant by the Unit Owner which is subject to a condominium declaration, a declaration of protective covenants, conditions, charges and liens or any similar document which provides that the owners of the dwelling units subject to either such declaration or similar document are Members of the Association. Unless the context clearly indicates otherwise, the term "UNIT" shall be deemed to include the term "LOT".

Section 2.02 Other Terms. Other capitalized words, phrases or terms not defined herein shall have the meanings given them in the Declaration.

ARTICLE III

MEMBERS; VOTING RIGHTS

Section 3.01 Membership in the Association. The Association shall have as Members only Owners of Units and/or Projected Units in the District. All Owners, shall, upon becoming such, be deemed automatically to have become Members and there shall be no other qualification for membership. Membership shall be appurtenant to, and shall not be separated from, the ownership of the interest described in the definition of the word "Owner" as found in Article II of these By-Laws. Any person or entity holding an interest in a Lot or Unit merely as security for the performance of an obligation shall not be a Member and shall have no voting rights.

Section 3.02 Voting. Each Member (including the Sponsor if the Sponsor shall then own or hold title to one or more Units) shall have one vote regardless of the number of Units such Member owns.

Section 3.03 Right to Vote. At any meeting of Members, every Member having the right to vote shall be entitled to vote in person or by proxy.

Section 3.04 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. Such proxies shall only be valid for such meeting or subsequent adjourned meeting thereof. A notation of such proxies shall be made in the minutes of the meeting.

Section 3.05 Voting Regulations. The Board of Directors of the Association may make such regulations, consistent with the terms of the Declaration, the Certificate of Incorporation, these By-Laws, and the Not-for-Profit Corporation Law of the State of New York, as it deems advisable for any meeting of the Members in regard to proof of membership in the Association, evidence of right to vote, the appointment and duties of inspectors of election, registration of Members for voting purposes, the establishment of representative voting procedures and such other matters concerning the conduct of meetings and voting as it shall deem appropriate.

Section 3.06 Corporate Members. Any votes of a corporate member may be cast by an appropriate officer of such corporation.

Section 3.07 Joint or Common Ownership. If a Unit is owned by more than one person, as joint tenants, tenants by the entirety or as tenants in common, the persons owning such Unit shall reach agreement as to the matter being voted upon and shall cast their one vote for their Unit. A fiduciary shall be the voting member with respect to any Unit owned in a fiduciary capacity.

Section 3.08. Sponsor's Right to Assign its Vote. The Sponsor may assign its membership in the Association and its right to vote to any person, corporation, association, trust, partnership or other entity, and such assignee, and any future assignee, of such membership and right to vote may make successive like assignments, upon compliance with applicable law.

ARTICLE IV

MEETINGS OF MEMBERS

Section 4.01 Annual Meeting. Upon transfer of title to five hundred (500) Units, or five (5) years from the date of the recording of the Declaration, whichever shall first occur, the Sponsor shall notify all Members that the first annual meeting of Members shall be held within thirty (30) days thereafter. Thereafter the annual meeting of the Members shall be held on the same date each succeeding year, at a time to be determined by the Board of Directors, and at such place convenient to the Board of Directors, adequate in size to accommodate all Members; provided, however, that if such date shall be a Saturday, Sunday or legal holiday, the meeting shall be held on the first day following such date which is not a Saturday, Sunday or legal holiday. Failure to hold such annual meeting at the designated time shall not terminate the Association's existence or affect otherwise valid acts of the Association. At such meeting, the Members shall elect the Board of Directors in accordance with the provisions of Section 5.03 hereof and may transact such other business as may properly come before them.

Section 4.02 Special Meetings. It shall be the duty of the President to call a special meeting of the Members if so directed by resolution of the Board of Directors or upon a petition presented to the Secretary, signed by not less than forty percent (40%) of the Members, in the aggregate. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 4.03 Notice of Meetings. It shall be the duty of the Secretary to mail by first class, postage prepaid a notice of each annual or special meeting of the Members at least ten (10) but not more than twenty (20) days prior to such meeting, stating the purpose thereof, as well as the time and place where it is to be held, to each Member of record, at his Unit or at such other address as such Member shall have designated by notice in writing to the Secretary, and to all mortgagees of a Unit who have requested the same. Notwithstanding the foregoing, if the purpose of any meeting shall be to act upon a proposed amendment to the Declaration or to these By-Laws, the notice of meeting shall be mailed at least thirty (30) but not more than fifty (50) days prior to such meeting. The mailing of a no-

tice of meeting shall be in the manner provided in this section and shall be considered service of notice.

Section 4.04 Waiver of Notice. Whenever under any provisions of these By-Laws, the terms of any agreement or instrument, or law, the Association or the Board of Directors or any committee thereof is authorized to take any action after notice to any person or persons or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of such period of time, if, at any time before or after such action is completed, the person or persons entitled to such notice or entitled to participate in the action to be taken, or in the case of a Member, by his or her duly authorized attorney-in-fact, submit a signed waiver of notice of such requirements. The attendance of any Member at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall also constitute a waiver of notice by him.

Section 4.05 Waiver and Consent. Whenever the vote of Members at a meeting is required or permitted by any provision of the Declaration, these By-Laws or law to be taken in connection with any action of the Association, the meeting and vote of Members may be dispensed with if all Members 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 4.06 List of Members. A list of Members as of the record date, certified by the corporate officer responsible for its preparation, shall be produced at any meeting of Members upon the request thereat or prior thereto of any Member. If the right to vote at any meeting is challenged, the inspectors of election, or, if there be no inspectors of election, person presiding thereat, shall require such list of Members to be produced as evidence of the right of the person challenged to vote at such meeting, and all persons who appear from such list to be Members entitled to vote thereat may vote at such meeting.

Section 4.07 Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of Members having fifty-one percent (51%) of the total authorized votes of all the Members shall constitute a quorum at all meetings of the Members. If, however, such quorum shall not be present or represented by proxy at any meeting of Members, the Members entitled to vote thereat, present in person or represented by 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. At any such adjourned meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the meeting originally called.

Section 4.08 Majority Vote. Members of the Board of Directors elected at any meeting of the Members shall, except as otherwise provided by law or these By-Laws, be elected by a plurality of votes cast. All other actions shall be taken by vote of a majority of Members at a meeting at which a quorum shall be present or represented by proxy except where in the Declaration or these By-Laws, or by law, a higher percentage vote, or other vote, is required. The Term "majority of Members" shall mean those Members having more than fifty percent (50%) of the total authorized votes of all Members present in person or by represented proxy and voting at any meeting of the Members, determined in accordance with the provisions of Section 3.02 of these By-Laws.

Section 4.09 Inspectors of Election.

(a) The Board of Directors, in advance of any meeting of Members, may appoint two (2) or more persons, who need not be Members, to act as inspectors of election at such meeting or any adjournment thereof. If inspectors of election are not so appointed prior to the meeting, the person presiding at such meeting may appoint two (2) or more inspectors of election. In case any person appointed fails to appear or act, the vacancy may be filled in advance of the meeting by the Board of Directors or at the meeting by the person presiding thereat.

(b) The inspectors of election shall (i) determine the Members entitled to vote at the meeting, (ii) determine the existence of a quorum and the validity and effect of proxies, (iii) receive ballots or determine votes or consents, (iv) hear and determine any challenges or questions arising in connection with any Member's right to vote, (v) count and tabulate all votes, ballots or consents and determine the result thereof, and (vi) do such other acts as may be proper to conduct an election or vote, with fairness to all Members.

Section 4.10 Order of Business at Meetings. The order of business at all meetings of the Members shall follow Roberts Rule of Order and be as follows:

- (a) Roll Call
- (b) Proof of Notice of Meeting

- (c) Reading of Minutes of Preceding Meeting
- (d) Reports of Officers
- (e) Report of Board of Directors
- (f) Reports of Committees
- (g) Election of Inspectors of Election (when so required)
- (h) Election of Members of the Board of Directors (when so required)
- (i) Unfinished Business
- (j) New Business

ARTICLE V

BOARD OF DIRECTORS

Section 5.01 Number and Qualifications of Directors.

(a) The business affairs of the Association shall be managed by the Board of Directors. The Board shall initially consist of five (5) persons designated by the Sponsor. Within thirty (30) days after the initial transfer of title to two hundred (200) Units to individual Owners, a sixth (6th) and seventh (7th) person shall be elected by the Unit Owners other than the Sponsor. The first meeting of the Board of Directors will be held within six (6) months of the date of transfer of title to the first Unit Owner.

(b) Notwithstanding the foregoing, if fewer than four hundred (200) Units are sold prior to the fifth anniversary of the date of recording the Declaration, such additional number of persons as are needed to bring the total number of Directors to seven (7) shall be elected by Members other than the Sponsor at a meeting held on or near such date.

(c) Successors to these designees shall be elected by Members at the first meeting of Members held after the transfer of title to five hundred (500) Units, or five (5) years from the date of recording of the Declaration, whichever first occurs.

(d) Until the Transfer of Control Date, the Sponsor shall have the right to elect or appoint a majority of the members of the Board of Directors but, if the Sponsor exercises its right to so appoint, Sponsor may not cast its votes with respect to the Units which it owns for the other members of the Board. After the Transfer of Control Date, the Sponsor shall have no further right to elect or appoint any members of the Board of Directors. Members of the Board of Directors elected or appointed by the Sponsor shall serve for a term of one (1) year.

(e) All Directors shall be (i) Unit Owners, (ii) spouses of Unit Owners, (iii) mortgagees of Units, (iv) members or employees of a partnership Owner or mortgagee, (v) officers, directors, shareholders, employees or agents of a corporate Owner or mortgagee, (vi) fidu-

ciaries or officers, agents or employees of such fiduciaries, or (vii) designees of the Sponsor.

Section 5.02 Nominations.

(a) Nominations for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting of Members.

(b) The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall, in its sole discretion, determine, but not less than the number of vacancies that are to be filled by the votes of Members of Association as provided in Section 5.03 hereof.

Section 5.03 Election and Term of Office.

(a) At the first Annual Meeting of Members, subject to the right of the Sponsor to elect or appoint Director(s) as provided in Section 5.01 hereof, a new Board of Directors shall be elected.

(b) At the first Annual Meeting and any subsequent election, the Sponsor shall not cast its votes to elect more than a simple majority of Directors and, at any election after five (5) years from the date of recording of the Declaration, the Sponsor shall not cast its votes to elect a majority of Directors. At each Annual Meeting thereafter, the Members shall replace those Directors whose terms have expired and elect such successor Directors for a term of two (2) years. Voting shall be by secret written ballot which shall:

1. set forth the number of vacancies to be filled;
2. set forth the names of those nominated to fill such vacancies; and
3. contain space for a write-in for each vacancy.

(c) Other than persons elected or designated by the Sponsor, the term of office of the Directors shall be two (2) years or until their successors are elected, except that the term of office of four (4) Directors elected at the first Annual Meeting of the Members shall be for one (1) year.

Section 5.04 Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a member thereof by a vote of the Members or by the Sponsor, shall be filled by vote of a majority of the remaining Directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy, even though the members present at such meeting may constitute less than a quorum. Each person so elected shall be a member of the Board of Directors until the next annual meeting of the Members or until a successor is elected. Notwithstanding the foregoing, if the vacancy occurs with respect to any Director not designated by the Sponsor, the successor shall be a Member independent of the Sponsor and further if the vacancy occurs with respect to any member of the Board of Directors designated by the Sponsor, the Sponsor shall have the sole right to choose the successor to fill the unexpired portion of the term of such Director.

Section 5.05 Resignation. A member of the Board of Directors may resign at any time by giving written notice to the Board, or to the President or Secretary of the Association. Unless otherwise specified in the letter of resignation, the resignation shall take effect immediately upon receipt thereof by the Board, President or Secretary, as the case may be, and acceptance of the resignation shall not be necessary to make it effective.

Section 5.06 Removal. At any regular or special meeting of Members, any one or more of the members of the Board elected by the Members may be removed with or without cause by a majority of the Members other than the Sponsor and a successor may then and there or thereafter be elected by the Members to fill the vacancy thus created. Any member of the Board of Directors whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. Members of the Board of Directors elected or appointed by the Sponsor may be removed only by the Sponsor, and may be so removed with or without cause, and then and there or thereafter be replaced by the Sponsor.

Section 5.07 Compensation. Directors shall not receive any compensation or salary for their services as Directors. Any Director may be reimbursed for his actual reasonable expenses incurred in the performance of his duties. A Director who serves the Association in any other capacity, however, may receive compensation therefor if otherwise entitled to compensation.

Section 5.08 Regular Meetings. Regular meetings of the Board of Directors shall be held at least quarterly at such places and at such times convenient to

the Directors, as may be designated from time to time, by resolution of the Board of Directors. Should such meeting date fall on a legal holiday, Saturday or Sunday, that meeting shall be held at the same time on the next day which is not a legal holiday, a Saturday or a Sunday. Notice of regular meetings shall be given to each Director personally, by mail or by telegram at least two (2) days prior to the date set for such meeting.

Section 5.09 Special Meetings. Special meetings of the Board of Directors may be called at any time at the request of the President or any three (3) Directors upon not less than five (5) days notice to each Director either personally, by mail or by telegram which notice shall specify the time, place and purpose of the meeting. The person or persons authorized to call such Special Meeting of the Board may fix any time and place reasonably convenient to the Directors as the time and place for holding such Special Meeting.

Section 5.10 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 of Directors at any meeting of the Board without protesting prior to the conclusion of the meeting the lack of notice 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.

Section 5.11 Quorum and Voting. At all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which it is provided otherwise by statute, by the Certificate of Incorporation, or by these By-Laws, a vote of a majority of such quorum at a duly constituted meeting shall be sufficient to pass any measure. In the absence of a quorum, the Directors present may adjourn the meeting from time to time by a majority vote and without further notice, until a quorum shall attend. At any such adjourned meeting at which quorum shall be present, any business may be transacted which might have been transacted as originally called.

Section 5.12 Powers and Duties. The Board of Directors may exercise all the powers of the Association, except such as are conferred upon or reserved to the Members by statute, the Certificate of Incorporation or

these By-Laws. The powers, duties and authority of the Board of Directors shall specifically include, but shall not be limited to, the following:

- (a) To determine, levy and collect the Assessments as provided for in the Declaration.
- (b) To establish and maintain such bank accounts as may be required for the operation of the Association.
- (c) To collect, use and expend the Assessments and charges collected for the maintenance, repair, replacement and operation of the Property of the Association.
- (d) To operate, maintain, repair and replace the Association Property.
- (e) To procure and maintain adequate liability insurance covering the Association, its Directors, Officers, agents and employees and to procure and maintain adequate hazard insurance on such of the Association's real and personal properties as it deems appropriate.
- (f) To employ and terminate the employment of employees and independent contractors, purchase supplies and equipment, enter into contracts and generally have the powers of manager in connection with the matters hereinabove set forth. Any contracts entered into shall be terminable by the Board upon not more than ninety (90) days notice without penalty.
- (g) As required by these By-Laws, to repair, restore, or alter the properties of the Association after damage or destruction by fire or other casualty or as a result of condemnation or eminent domain proceedings.
- (h) To adopt and publish rules and regulations governing the use of Association Property and facilities and other property maintained by the Association, and the personal conduct of the Members and other persons thereon, and establish penalties for infractions thereof.
- (i) To collect delinquent Assessments by suit or otherwise, to abate nuisances and to enjoin or seek damages from Members for violations of

the provisions of the Declaration or of any Rules or Regulations of the Association.

- (j) To file such federal, state or other tax returns on behalf of the Association as it deems necessary or desirable and to pay any and all taxes owing by the Association.
- (k) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive meetings of the Board of Directors.
- (l) To keep a complete record of the actions of the Board of Directors and the corporate affairs of the Association and to present a statement thereof to the Members at the Annual Meeting of Members, or at any Special Meeting of Members when such a statement is requested by vote of the Members.
- (m) To issue, or cause to be issued, upon demand by any person an "Assessment Certificate" as provided in the Declaration, setting forth the status of payment of Assessment of any Unit.
- (n) To exercise the rights and powers set forth in Article IV of the Declaration.
- (o) To exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the Members by other provisions by these By-Laws, the Certificate of Incorporation or the Declaration.

Notwithstanding anything to the contrary contained in these By-Laws, until the Transfer of Control Date, the Board of Directors may not, without the Sponsor's prior written consent, which consent shall not be unreasonably withheld, (i) except for necessary repairs, alterations, additions, or improvements required by law or by any government agency or Board of Fire Underwriters, make any repair, addition, alteration or improvement to the Association Property, or (ii) levy any Assessment for the creation of, addition to or replacement of all or part of a reserve, contingency or surplus fund in excess of an amount equal to the proportion of the then existing budget which the amount of reserves in

the initial budget of estimated expenses of the Association bears to the total amount of the initial budget of estimated expenses appearing in the Plan, or (iii) hire any employee in addition to the employees, if any, provided for in the initial budget of the Association, except as may be necessary to maintain the quantity or quality of service or maintenance of the Property, or (iv) enter into any maintenance contract for work not provided for in the initial budget of the Association, except for the maintenance of any improvement not in existence or not owned by the Association at the time of recording the Declaration, or (v) borrow money on behalf of the Association, or (vi) reduce the quantity or quality of service or maintenance of the Property.

Section 5.13 Managing Agent and Manager. The Board of Directors may employ for the Association a Managing Agent and/or a manager at a compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize other than the powers set forth in subsections (a), (b), (e), (h), (i), (k), (n) and (o) of Section 5.12 of these By-Laws. Any contract entered into with a Managing Agent shall provide that (i) the Managing Agent shall carry his own liability insurance in such amounts as the Board shall deem adequate and which shall include the Association as a named insured, (ii) the Managing Agent shall provide fidelity bonding for himself and his employees and (iii) such contract may be terminated by the Association without penalty upon not less than sixty (60) days written notice, if without cause, and, if with cause, upon not more than thirty (30) days notice. No such management agreement shall be for a term of more than two (2) years and no such management agreement shall be renewable without the written consent of both parties.

Section 5.14 Indemnification of Officers and Directors.

(a) Every Director and Officer of the Association shall be, and is hereby, indemnified by the Association against all expenses and liabilities, including fees of counsel, reasonably incurred by or imposed upon such Director or Officer in connection with any proceeding to which such Director or Officer may be a party, or in which such Director or Officer may become involved by reason of being or having been a Director or Officer at the time such expenses are incurred, except in such cases wherein the Director or Officer is guilty of willful misfeasance or malfeasance in the performance of duties; provided, that in the event of a settlement, the

indemnification herein shall apply only when the Board approves such settlement as being in the best interests of the Association.

(b) The foregoing right of indemnification shall be in addition to, and shall not be exclusive of, any rights to which each such Director or Officer may otherwise be entitled. The Association shall indemnify and hold harmless each of the members of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association unless such contract shall have been made in bad faith or contrary to the provisions of law, or this Declaration. It is intended that the Board of Directors shall have no liability with respect to any contracts made by it on behalf of the Association.

ARTICLE VI

OFFICERS

Section 6.01 Officers. The Officers of the Association shall be the President (who shall be a member of the Board of Directors), one or more Vice Presidents, (the number thereof to be determined by the Board of Directors), the Secretary and the Treasurer. Two (2) or more offices may not be held at the same time by the same person.

Section 6.02 Election. The election of officers shall take place at the first annual meeting of the Board of Directors following the Annual Meeting of the Members.

Section 6.03 Term and Vacancies. The officers of the Association shall be elected annually by the Board of Directors and each shall hold office until his or her successor shall have been duly elected, unless he or she shall sooner resign, or shall be removed or otherwise be disqualified to serve. The vacancy in any office arising because of death, resignation, removal or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 6.04 Resignation and Removal. Any officer may be removed by the Board of Directors, with or without cause, whenever, in the judgment of the Board, the best interests of the Association will be served thereby. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.05 President. The President shall be the chief executive officer, shall supervise the work of the other officers, shall preside at all meetings of Members, and if there is no Chairman of the Board, shall preside at all meetings of Directors, and shall perform such other duties and functions as may be assigned him or her. The President may not also serve simultaneously as Secretary or Treasurer.

Section 6.06 Vice President. Any Vice President shall be capable of performing all of the duties of the President.

Section 6.07 Secretary. The Secretary shall cause notices of all meetings to be served as prescribed in these By-Laws, shall record the votes and keep the minutes of all meetings, shall have charge of the seal, if any, and corporate records of the Association and the mortgagees of Units on the Property, and shall perform such other duties as are assigned to him or her by the President or the Board. Any Assistant Secretary shall be capable of performing all of the duties of the Secretary.

Section 6.08 Treasurer. The Treasurer shall have the custody of all moneys and securities of the Association and shall keep or cause to be kept regular books and records. He or she shall account to President and the Board, whenever either may require it, with respect to all of his or her transactions as Treasurer and of the financial condition of the Association, and shall perform all other duties as are assigned to him or her by the President, the Board or these By-Laws.

Section 6.09 Other Officers. The Board of Directors may elect such other officers as it shall deem desirable, such officers to have the authority and to perform the duties prescribed from time to time by the Board of Directors.

Section 6.10 Agreements, Contracts, Deeds, Checks and Other Instruments. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by any two (2) officers of the Association or, except as otherwise provided in Section 8.01 hereof, by such other person or persons as may be designated by the Board of Directors.

Section 6.11 Compensation of Officers. No officer shall receive any compensation from the Association for acting in his capacity as an officer. However, any officer may be reimbursed for his actual reasonable expenses incurred in the performance of his duties as an officer. An officer who serves the Association in any other capacity, however, may receive compensation therefor if otherwise entitled to compensation.

ARTICLE VII

COMMITTEES

Section 7.01 Committees of Directors. Except as limited by this Section 7.01 or by Section 7.02 hereof, the Board of Directors, by resolution adopted by a majority of the whole Board of Directors, may designate one (1) or more committees, each of which shall consist of at least one (1) Director, which committees, to the extent provided in the resolution, shall have and exercise the authority of the Board of Directors in the management of the affairs of the Association; provided, however, that no such committee shall have the authority of the Board of Directors to approve an amendment to the Certificate of Incorporation of the Association or to these By-laws or a plan of merger or consolidation, or establish Assessments or to amend or supplement the Rules and Regulations.

Section 7.02 Committees of Members. The committees of the Association shall be the Architectural Standards Committee, the Nominating Committee, the Rules and Regulations Committee and such other committees as the Board of Directors shall deem desirable. Each committee shall consist of a chairman and two (2) or more members and shall include a member of the Board of Directors, except that the Nominating Committee need not include a member of the Board of Directors.

Section 7.03 Rules. Each committee may adopt rules of its own government not inconsistent with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors.

ARTICLE VIII

FINANCE

Section 8.01 Checks. All checks, drafts and orders for the payment of money, notes and other evidences of indebtedness issued in the name of the Association shall be signed by two (2) officers of the Association.

Section 8.02 Fiscal Year. The fiscal year of the Association shall be the twelve (12) calendar months, ending at such time as may be deemed appropriate by the Board of Directors.

Section 8.03 Annual Report.

(a) An annual report of the receipts and expenditures of the Association, certified to by an independent certified public accountant, shall be rendered by the Board of Directors to all Members, to all mortgagees of Units who have requested the same, and, if required by statute or regulation, to the Department of Law of the State of New York, within four (4) months from the end of each fiscal year. In the event that any substantial irregularities or any defalcation shall be uncovered by such accountant in the course of any such review, such matters shall be promptly reported to each member of the Board of Directors and to the Members by such accountant. In addition, when called for by a vote of the Members at any special or regular meeting of the Members, the Board of Directors shall furnish to the Members a full and clear statement of the business conditions and affairs of the Association, including a balance sheet and profit and loss statement, reviewed by an independent public accountant and a statement regarding any taxable income attributable to the Members.

(b) The cost of the annual report and other services required by this Section 8.03 shall be levied by the Board of Directors as an Assessment.

ARTICLE IX

INSURANCE AND RECONSTRUCTION

Section 9.01. Insurance to be Carried by Board of Directors. To the extent reasonably obtainable, and to the extent obtainable at a reasonable cost, and in such amounts as the Board of Directors of the Association shall determine to be appropriate, unless otherwise required herein, the Board of Directors of the Association shall obtain and maintain (i) fire and casualty insurance, (ii) liability insurance, (iii) Directors' and Officers' liability insurance, (iv) fidelity bond, and (v) workers' compensation insurance, with coverages to be as follows:

(a) Fire and Casualty.

(i) The policy shall cover the interests of the Association, the Board of Directors and all Members and mortgagees as their interests may appear. Coverage shall be for the full replacement value (without deduction for depreciation) of all improvements on the Association Property, excluding the land and foundations, with a maximum deductible of \$1,000.

(ii) The policy shall have the following provisions, endorsements and coverages: (i) extended coverage, including debris removal, cost of demolition, vandalism, malicious mischief, windstorm and water damages; (ii) inflation guard; (iii) minimum of \$100,000 coverage for loss of Assessment from Members forced to vacate the District because of fire or other insured-against casualty; (iv) waiver of any right to claim by way of subrogation against individual Members and the members of their households and families, the Association, the Officers and Directors of the Association, and the managing agent, if any, for the Association; (v) an exclusion from the "no other insurance" clause of individual Members' policies so that the insurance purchased by the Board of Directors shall be deemed primary coverage and any policies obtained by individual Members or mortgagees shall be deemed excess coverage and that the insurance obtained by the Board of Directors shall in no event be brought into "contribution" with insurance purchased by individual Members or mortgagees;

(vi) a provision that the policy cannot be cancelled, invalidated or suspended because of the act or neglect of someone over whom the insured has no control; (vii) cross-liability giving the Members the right to sue the Board of Directors and vice versa with the insurance carrier agreeing to defend the defendant; (viii) a provision that the policy may not be cancelled (including a cancellation for the non-payment of premium), substantially modified, invalidated or suspended, without at least sixty (60) days prior written notice to all of the insureds, including all mortgagees of Units reported to the insurance carrier or its agent; (ix) a provision requiring review at least once a year with the agent to assure the sufficiency of coverage; and (x) a provision that adjustment of loss shall be made by the Board of Directors.

(iii) Prior to obtaining any new fire and casualty insurance policy, the Board of Directors shall obtain an appraisal from an insurance company or from such other source as the Board of Directors shall determine to be acceptable as to the full replacement value (without deduction for depreciation) of the improvements on the Property (exclusive of land and foundations) for the purpose of determining the amount of fire and casualty insurance to be effected pursuant to this Section.

(iv) Each Member and his known mortgagee shall be named insured on the policy and shall receive, at the time of purchase and at the time a new policy is obtained or an existing policy is renewed, a certificate evidencing proof of insurance coverage.

(v) Flood Insurance. No portion of the Property is located in a Flood Hazard Zone. However, if in the future any portion of the Property is determined to be located in an area subsequently identified by the Federal Secretary of Housing and Urban Development as having special flood hazards, the Board of Directors shall obtain, if available, a policy of flood insurance covering the insurablements on the Property or portion thereof located entirely or partially in the flood hazard area. Such coverage shall be the maximum

coverage available under the National Flood Insurance Program, or 100% of the current replacement cost of all Association Property and other insurable property, whichever is less.

(vi) Proceeds of Physical Damage Insurance. The proceeds of all policies of physical damage insurance, if less than \$50,000 shall be payable to the Association, and if more than \$50,000, to the Insurance Trustee (as defined in Section 9.02 hereof) to be applied for the purpose of repairing, restoring or rebuilding, unless otherwise determined by the Members pursuant to Section 9.02 of these By-Laws. This \$50,000 limitation shall increase automatically by eight percent (8%) each calendar year after the year in which the Declaration is recorded and may be further raised or lowered from time to time upon approval of not less than two-thirds (2/3rds) of the entire Board of Directors.

(vii) The policy shall contain the standard mortgagee clause in favor of mortgagees which shall provide that any loss shall be payable to a mortgagee as its interest shall appear, subject, however, to the loss-payment provisions in favor of the Board of Directors. The obligation to restore or reconstruct after damage due to fire or other casualty supersedes the customary right of a mortgagee to have the proceeds of insurance coverage applied to the mortgage indebtedness.

(b) Liability.

(i) The liability insurance shall cover the Directors and Officers of the Association, and all Members, but not the liability of the Members arising from occurrences within such Member's Unit or on such Member's Lot. The policy shall include the following endorsements: (i) comprehensive general liability (including libel, slander, false arrest and invasion of privacy); (ii) personal injury; (iii) medical payments; (iv) cross liability under which the rights of a named insured under the policy shall not be prejudiced with respect to such insured's action against another named insured; (v) "severability of interest" precluding the insurer from denying coverage to a Member

because of negligent acts of the Association of the Association or any other Member; (vi) contractual liability; (vii) water damage liability; (viii) hired and non-owned vehicle coverage; (ix) liability for the property of others; (x) host liquor liability coverage with respect to events sponsored by the Association; and (xi) deletion of the normal products exclusion with respect to events sponsored by the Association.

(ii) Until the first annual meeting of the Board of Directors elected by the Members, this public liability insurance shall be in a combined single limit of \$1,000,000 covering all claims for bodily injury and property damage arising out of a single occurrence.

(c) Directors' and Officers' Liability.

(i) The Directors' and Officers' liability insurance shall cover the "wrongful" acts of a Director or Officer of the Association. The policy shall be on a "claims made" basis so as to cover all prior officers and members of the Board of Directors and any deductible provision shall apply only to each occurrence and not to each item of damage. If obtainable at reasonable cost, the policy shall not provide for "participation" by the Association or by the Officers or Directors of the Association.

(ii) Until the first annual meeting of the Board of Directors elected by the Members, the Directors' and Officers' liability coverage shall be in the amount of \$1,000,000.

(d) Fidelity Bond.

(i) The fidelity bond shall cover all Directors, Officers and employees of the Association, if any, who handle Association funds. The bond shall name the Association as Obligee and be in an amount not less than the estimated maximum amount of funds, including reserves, in the custody of the Association at any given time, but in no event less than a sum equal to six months' aggregate assessments on all Units, plus the reserves and other funds on hand. In the event a professional property manager is employed or retained by the Association, such professional property manager,

serving the Association under the contract (not as the employee of the Association) shall maintain a fidelity bond in the same amounts as the Association. The professional property manager (unless an employee of the Association) may not be covered under the Association fidelity bond.

(ii) Until the first annual meeting of the Board of Directors elected by the Members, the coverage shall be \$50,000 for dishonest acts and \$50,000 for forgery.

(e) Workers' Compensation. To the extent deemed reasonable and necessary by the Board of Directors, workers' compensation insurance shall be obtained. Such insurance shall cover any employees of the Association, as well as any other person working on behalf of the Association, including the Directors and Officers of the Board of Directors.

(f) Other. The Board of Directors may also obtain such other insurance as it shall deem necessary or desirable from time to time, including "umbrella" catastrophe coverage.

The Board of Directors shall not be liable for failure to obtain any of the coverages required by this Section or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverages from reputable insurance companies, or if such coverages are so available, only at a cost which in the Board's sole judgment is unreasonable.

The Board of Directors of the Association may assess any deductible amount necessitated by the gross negligence or malicious act of a Member against such Member. The Association may pay the deductible portion for which such Member is responsible, and the amount so paid, together with interest and costs of collection (including attorney's fees), shall be a charge and continuing lien upon the Unit involved, shall constitute a personal obligation of such Member and shall be collectible in the same manner as assessments under Article V of the Declaration.

Section 9.02. Insurance Trustee. The Insurance Trustee shall be any bank, trust company, or law firm located in the State of New York, designated by the Board of Directors. All reasonable fees and reasonable disbursements of the Insurance Trustee shall be paid by the Board of Directors and shall constitute an Assess-

ment of the Association. In the event the Insurance Trustee resigns or fails to qualify, the Board of Directors shall designate a new Insurance Trustee which shall be a bank, trust company or law firm located in the State of New York.

Section 9.03. Restoration or Reconstruction After Fire or Other Casualty.

(a) In the event of damage to or destruction of any portion of the Property insured through insurance obtained by the Board of Directors as a result of fire or other casualty, the insurance proceeds, if any, shall be payable to the Board of Directors or the Insurance Trustee as provided in Section 9.01(a)(vi) hereof. The Board of Directors shall notify all mortgagees of Units as indicated on the records of the Association and shall arrange for the prompt repair and restoration of the Property and the Board of Directors 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 an Assessment and the Board of Directors shall assess all the Members for such deficit and for a completion bond for such deficit as part of the assessments.

(b) In the event of any damage or destruction as hereinabove described, the Board of Directors shall promptly send written notification of the casualty to all first mortgagees of Units as they appear on the books and records of the Association.

(c) If there shall have been a repair or restoration pursuant to the first paragraph of this Section, 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 Directors or the Insurance Trustee, as the case may be, among all the Members, subject to the rights of holders of mortgages encumbering such Units, in proportion to their respective common interests after first paying out of the share due each Member such amounts as may be required to reduce unpaid liens on such Unit in order of priority of such liens.

(d) If seventy-five (75%) percent or more of the Association Property is destroyed or substantially damaged as determined by the Board of Directors and seventy-five (75%) percent or more of the Members do not duly and promptly resolve to proceed with repair and restoration, the Property shall be subject to an action

for partition upon the suit of any Member or lienor, as if owned in common, in which event, the net proceeds of sale, together with the net proceeds of insurance policies shall be held in escrow by the Board of Directors or the Insurance Trustee, as the case may be, to be divided among all Members, subject to the rights of holders of mortgages encumbering Members' Units, in proportion to their respective common interests after first applying the share of the net proceeds of such sale otherwise payable to any Unit Owner to the payment of any liens on his Unit, in the order of the priority of such liens.

(e) Wherever in this Article the phrase "promptly repair" is used, it shall mean that repairs are to begin, weather permitting, not more than sixty (60) days from the date the Insurance Trustee notifies the Board of Directors and the Members that it holds proceeds of insurance sufficient to pay the estimated costs of such work; or not more than ninety (90) days after the Insurance Trustee notifies the Board of Directors and the Members that such funds are insufficient to pay said estimated costs and advises them of the amount of the required completion bond, if necessary. In the event there is no Insurance Trustee, such phrase shall mean not more than sixty (60) days from the date of receipt of insurance funds on account of such damage or destruction. Wherever the phrase "promptly resolve" is used, it shall also mean not more than sixty (60) days from the date of receipt of said insurance proceeds.

(f) Any repair or restoration as hereinabove described shall be in substantial accordance with the plans and specifications of the damaged improvements as originally built. Any proposed substantial deviation therefrom shall require the majority vote of the Members.

Section 9.04. Insurance Carried by Members. Each Member has the right, at such Member's expense, to obtain for such Member's benefit, (i) fire, casualty and theft coverage for Member's personal property, and (ii) such Members personal liability on Association Property. All such policies shall contain waivers of subrogation, if available, and the liability of the carriers issuing insurance procured by the Board of Directors shall not be affected or diminished by reason of any such additional insurance carried by the Member.

Section 9.05. Actions Which May Increase Insurance Rates Prohibited. Under no circumstances shall a Member permit or suffer anything to be done or left in or on the Association Property which will increase insurance rates on the Member's Unit or on any other Unit or on the Association Property.

ARTICLE X

AVAILABILITY OF RECORDS AND LEGAL DOCUMENTS

Section 10.01 Availability of Records and Legal Documents. The Board of Directors shall make available for inspection upon reasonable notice and during normal business hours, to existing and prospective purchasers, tenants, and mortgagees, mortgage insurers and mortgage guarantors, current copies of the Association's Declaration, By-Laws, Rules and Regulations, budget, schedule of assessments and any other books, records and financial statements of the Association. The Board may furnish copies of such documents to such parties and may charge such parties a reasonable fee to cover the cost of furnishing such copies.

ARTICLE XI

CORPORATE SEAL OPTIONAL

Section 11.01 Corporate Seal Optional. The Association, if the Board of Directors so chooses, may have a seal in circular form having within the circumference thereof the full name of the Association.

ARTICLE XII

AMENDMENTS

Section 12.01 Amendments to By-Laws. Except as provided herein to the contrary, these By-Laws may be amended or supplemented, in whole or in part, at any duly called meeting of Members provided that:

- (a) A notice of the meeting containing a full statement of the proposed amendment or supplement has been sent to all Members as listed on the books and records of the Association and to all mortgagees of Units who have requested the same, no sooner than thirty (30) days nor more than fifty (50) days prior to date of meeting;
- (b) Sixty-six and two-thirds percent (66-2/3%) or more in number and in common interest of all Members approve the amendment or supplement;
- (c) The Board of Directors does not receive, prior to the date established for voting on the proposed amendment or supplement, written notice of opposition to the proposed amendment or supplement from mortgagees or more than fifty percent (50%) of the Units with mortgages; and
- (d) The amendment or supplement is set forth as an amendment to the Declaration duly recorded in the Saratoga County Clerk's Office.

Notwithstanding the foregoing, no amendment or supplement shall affect or impair the Sponsor's right to build additional Units in the District and to make membership in the Association available to additional Purchasers of such additional Units. Further, until the Transfer of Control Date, Sections 3.01, 3.03, 3.04, 3.05, 3.06, 3.08, 5.01, 5.03, 5.06, 5.12, 5.13, 5.14 and 12.01 hereof may not be amended or supplemented without the prior written consent of the Sponsor.

Section 12.02 Conflict with Certificate of Incorporation or with Declaration. In the case of any conflict between the Certificate of Incorporation and these By-Laws, the Certificate of Incorporation shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE XIII

RULES COMPLIANCE AND ARBITRATION

Section 13.01 Compliance with Rules of Association Issued Pursuant To These By-Laws. Should any Member, members of his families, their employees, guests, lessees or other invitees fail to comply with any of the provisions of these By-Laws or the Rules and Regulations, as these By-Laws and Rules and Regulations may be amended from time to time, the following procedures may be followed to obtain compliance.

- (a) A Committee of three (3) people, consisting of a member of the Board of Directors (other than the President) who is the liaison on the Board of Directors to the Rules and Regulations Committee shall be appointed by the Board of Directors and designated the Compliance Committee to serve at the pleasure of the Board of Directors.
- (b) The Compliance Committee shall first undertake to obtain compliance with these By-Laws or the Rules and Regulations informally, by discussing violations of the same with the person or persons violating them, and seeking thereby to obtain future compliance, or correction of the on-going violations.
- (c) Should this informal procedure prove unsatisfactory or not secure future compliance, the Compliance Committee shall then send a written notice to the person or persons violating a rule or regulation, notifying him or them of the claimed violation, and requesting, as the case may require, either a correction of the violation, or an assurance that similar violations will not occur in the future. Such notice shall set forth a date for compliance.
- (d) Should such notice obtain the requested compliance, that will dispose of the matter, unless the same or a similar violation of these By-Laws or the Rules and Regulations thereafter re-occurs.
- (e) Should such notice not obtain the requested compliance within the time requested, the Compliance Committee shall then be authorized, at its discretion, to establish a monetary and/or

non-monetary penalty, the amount and/or severity of which shall be reasonably related to the violation and to the aim of deterring similar violations in the future by the same or any other person. Such fine shall become a binding personal obligation of the violator. Failure to correct the condition or situation which leads to the first fine, for a period of twenty (20) days after the initial fine becomes finally due and payable, shall constitute a second offense. Notice of the imposition of such fine or fines shall be mailed to the violator, and shall be paid by him to the Association within ten (10) days after such mailing, unless the violator requests the right to arbitrate the matter within ten (10) days, as hereafter set forth. Should he not timely pay the fine, or timely request the right to arbitrate it, and if the violator is a Member, or a family member, tenant, guest, employee or other invitee of said Member, the amount of the fine shall be added to the Member's Assessment on the first day of the month following the expiration of the ten (10) day period above set forth, and shall be a lien upon the Member's Unit.

- (f) The Arbitration Committee shall consist of the President of the Board of Directors, as Chairperson of the Committee and two (2) other members of the Board of Directors who shall be appointed by the Board of Directors to serve at the pleasure of the Board of Directors.
- (g) Should the violator request the right to arbitrate the imposition or extent of a fine, as above set forth, he shall do so in writing, directed to the Board of Directors, within ten (10) days of his receipt of notice of the imposition of said fine. The Board of Directors shall promptly forward the same to the Arbitration Committee, which shall meet within twenty (20) days thereafter, on notice to the alleged violator, to hear and dispose of the matter. At such hearing, the alleged violator and one or more members of the Compliance Committee may be present and be heard. A decision on the matter shall be made by the Arbitration Committee, by a majority vote, within ten (10) days following said hearing, and shall be promptly communicated to the alleged violator. If Arbitration Committee's decision

is to uphold the determination of the Compliance Committee, the provisions relating to the payment and enforcement thereof, set forth in subparagraph (e) above shall apply. If Arbitration Committee's decision is in favor of the alleged violator, no fine will be imposed. The decision of the Arbitration Committee shall to the extent permitted by law be final and binding upon all parties.

- (h) In the event the violator is a person other than a Member or a member of such Member's immediate family, copies of all notices required to be given to the violator under these By-Laws shall also be given to the Owner of the Unit occupied by such violator.

ARTICLE XIV

MISCELLANEOUS

Section 14.01 Notices. Except as otherwise provided herein, all notices hereunder shall be in writing and sent by mail, by depositing same in a post office or letter box, in a postpaid sealed wrapper, addressed, if to the Board of Directors, at the office of the Board of Directors and if to a Member or Unit mortgagee, to the address of such Member or mortgagee at such address as appears on the books of the Association. All notices shall be deemed to have been given when mailed, except notices of change of address, which shall be deemed to have been given when received. Whenever any notice is required to be given under the provisions of the Declaration, or 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 of such notice.

Section 14.02 No Waiver for Failure to Enforce. No restriction, condition, obligation or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

Section 14.03 Gender. The use of the masculine gender in these By-Laws shall be deemed to include the masculine, feminine and neuter and the use of the singular shall be deemed to include the plural, whenever the context so requires.

Section 14.04 Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these By-Laws, or the intent of any provisions thereof.

Section 14.05 Severability. Should any part of these By-Laws be deemed void or become unenforceable at law or in equity, the validity, enforceability or effect of the balance of these By-Laws shall not be impaired or affected in any manner.

LIMITED WARRANTY
THE MICHAELS GROUP, INC.

The following sets forth the limited warranties which THE MICHAELS GROUP, INC. provides at no extra cost to Purchaser in connection with the purchase of a Unit in Grenadier Court Condominium.

Date of Closing: _____

EXCLUSIONS AND LIMITATIONS

CONSEQUENTIAL OR INCIDENTAL DAMAGES, INCLUDING DAMAGES FOR BODILY INJURY OR DEATH, PERSONAL PROPERTY, OR TO REAL PROPERTY NOT A PART OF THE UNIT, ARE NOT COVERED BY THIS WARRANTY; PROVIDED, NOTHING HEREIN SHALL ABROGATE ANY PROVISION OF APPLICABLE LAW (WHETHER STATUTORY OR DECISIONAL). IMPLIED WARRANTIES ON APPLIANCES, EQUIPMENT, AND OTHER ITEMS WHICH ARE CONSUMER PRODUCTS FOR PURPOSES OF THE MAGNUSON-MOSS ACT ARE ONLY EFFECTIVE FOR THE ONE YEAR PERIOD. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES ON THOSE ITEMS FOR WHICH A MANUFACTURER'S WARRANTY HAS BEEN ASSIGNED TO PURCHASER. THERE ARE NO IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS, WORKMANLIKE CONSTRUCTION, HABITABILITY, OR OTHERWISE AS TO ANY PORTIONS OF THE UNIT OTHER THAN SUCH CONSUMER PRODUCTS.

THE MICHAELS GROUP, INC.

Term. The terms of the various coverages of this Limited Warranty begin on the date on which the Unit is deeded to Purchaser or the date which purchaser first occupies the Unit, whichever first occurs. Such date is referred to in this Limited Warranty as the "Closing".

Coverage. For a period of one (1) year after Closing, the floors, ceilings, walls, and other internal structural components of the Unit which are not covered by other portions of this Limited Warranty will be free of defects in materials and workmanship.

For a period of one (1) year after Closing, the plumbing, heating and electric wiring systems will be free of defects in materials and workmanship.

For a period of one (1) year after Closing, the roof will be free of leaks caused by defects in materials and workmanship.

For a period of one (1) year after Closing, the following items will be free of defects in materials or workmanship: doors (including hardware); windows: electric switches, receptacles, and fixtures; caulking around exterior openings; plumbing fixtures; and cabinet work.

For a period of five (5) years after Closing, Sponsor warrants that all major structural work shall be free of major defects in materials and workmanship. Major defects are those which affect the load-bearing capability of the defective part and which render the Unit potentially uninhabitable. From the second through the fifth year (both inclusive) of this major structural warranty, there is a \$100.00 deductible for each claim the Purchaser makes. There is no deductible on any item contained in this Warranty during the first year.

Manufacturers' Warranties. To the extent assignable, Sponsor will assign to Purchaser the manufacturers' warranties on all appliances and equipment. The following are examples of such appliances and equipment though not every Unit includes all of these items and some Units may include appliances or equipment not on this list: refrigerator, range, dishwasher, bathroom ventilating fan, air conditioner and heating equipment.

Exclusions from Coverage. Sponsor does not assume responsibility for any of the following, all of which are excluded from the coverage of this Limited Warranty:

1. Defects in appliances and pieces of equipment which are covered by manufacturers' warranties. (Sponsor having assigned these manufacturers' warranties to Purchaser to the extent assignable. Purchaser should follow the procedures in such warranties if defects appear in these items.)

2. Damage due to ordinary wear and tear, abuse, or lack of proper maintenance of the Unit.

3. Defects which are the result of characteristics common to the materials used, including but not limited to: warping and deflection of wood; fading; nail pops; checking of paint due to sunlight; cracks in drywall due to settlement; cracks due to drying and curling of concrete, bricks, and masonry; and drying, shrinking and cracking of caulking and weather stripping.

4. Defects in items installed by Purchaser or anyone other than Sponsor, or, if requested by Sponsor, Sponsor's subcontractors.

5. Work done by Purchaser or anyone other than Sponsor or, if requested by Sponsor, Sponsor's subcontractors.

6. Damage, loss, or injury due to the elements (e.g., frost, ice, etc.).

7. Conditions resulting from condensation on, or expansion or contraction of, materials.

8. Paint applied over newly plastered interior walls.

9. Consequential or incidental damages, including damages for bodily injury or death, as set forth on the first page of this Limited Warranty.

No Other Warranties. This Limited Warranty is the only express warranty given by Sponsor. This Limited Warranty gives Purchaser specific legal rights.

Claims Procedure. If a defect appears which Purchaser thinks is covered by this Limited Warranty, Purchaser must submit, in writing, a description of such defect, certified mail, return receipt requested, to

THE MICHAELS GROUP, INC., 6 Century Hill Drive, Latham, New York 12110. In such writing, the Purchaser must also state at what times during normal business hours someone will be at home, to provide for the scheduling of a service call. If delays will cause extra damage (e.g., if a pipe has burst), the Purchaser shall telephone the appropriate subcontractor on the "Emergency Service" List provided him at the time of Closing.

Repairs. Upon receipt of a written report of a defect covered by this Limited Warranty, Sponsor will repair or replace such defect at no charge to Purchaser within thirty (30) days (unless weather conditions, labor problems, materials shortages or other factors beyond Sponsor's control cause delays). The work will be performed by the Sponsor or such subcontractors as it may so choose. The choice between repair or replacement is that of the Sponsor alone. NOTE: PURCHASER IS RESPONSIBLE FOR THE FIRST \$100.00 ON MAJOR STRUCTURAL REPAIRS AFTER THE FIRST YEAR OF THIS LIMITED WARRANTY.

Not Transferable. This Limited Warranty is extended to the original Purchaser only and is not transferable to subsequent owners of the Unit. Upon the transfer of title by the original Purchaser to a new Owner, this Limited Warranty shall automatically terminate; provided however, THAT THE LIMITED WARRANTY APPLICABLE TO MAJOR STRUCTURAL DEFECTS CONTINUES IN EFFECT FOR A PERIOD OF FIVE (5) YEARS FROM THE ORIGINAL CLOSING DATE SUBJECT TO THE \$100.00 DEDUCTIBLE, AS PREVIOUSLY SET FORTH.

SHANLEY, SWEENEY & REILLY

ATTORNEYS AND COUNSELORS AT LAW
THE CASTLE AT TEN THURLOW TERRACE
ALBANY, NEW YORK 12203

SARATOGA OFFICE

480 BROADWAY
SARATOGA SPRINGS, N.Y. 12866
(518) 583-0777

MICHAEL P. SHANLEY
ROBERT L. SWEENEY
J. STEPHEN REILLY

(518) 463-1415

FRANK P. MILANO
JO ELLEN BERGER

June 18, 1986

The Michaels Group, Inc.
6 Century Hill Drive
Latham, New York 12110

RE: Grenadier Court Condominium and
Concord Court Association, Inc.

Gentlemen:

We have acted as your counsel in connection with the preparation of the Offering Plan and related materials for (i) the condominium to be known as Grenadier Court Condominium (the "Condominium") consisting of fifty-six (56) residential units located off Route 236, in the Town of Halfmoon, Saratoga County New York for which you are the Sponsor and (ii) a related recreation association known as the Concord Court Association, Inc. (the "Association"). Based upon our examination of applicable provisions of the Internal Revenue Code of 1954, as amended (the "Code"), the New York Tax Law, the New York Real Property Law (the "Condominium Act") and Article 23-A of the General Business Law, it is our opinion that under the law in effect as of the date hereof:

1. Upon the filing of the Plans and the recording of the Declaration and By-Laws relating to the Condominium in the Office of the Clerk of the County of Saratoga, New York, the Condominium will have been duly organized under the Condominium Act. The Declaration and By-Laws relating to the Association, when recorded in the Office of the Clerk of the County of Saratoga New York, will be legal and valid.

2. Each Unit in the Condominium will be taxed separately for real estate purposes.

3. Subject to the limitation expressed in paragraph 5 of this opinion, each Unit Owner who elects to itemize deductions for federal income tax purposes will be entitled to deduct from his federal adjusted gross income:

(a) the amount of state and local real property taxes that are paid by the Unit Owner with respect to his Unit; and

SHANLEY, SWEENEY & REILLY

The Michaels Group, Inc.
June 18, 1986
Page Two

(b) the amount of interest paid by him on indebtedness incurred to purchase the Unit.

4. Subject to the limitation expressed in paragraph 5 of this opinion, each Unit Owner who elects to itemize deductions for federal income tax purposes will be entitled to elect to itemize deductions for New York State personal income tax purposes, and will thereby be entitled to include in his New York itemized deduction:

(a) the amount of state and local real property taxes that are paid by the Unit Owner with respect to his Unit; and

(b) the amount of interest paid by him or her on indebtedness incurred to purchase the Unit.

5. The opinions set forth in paragraph 3 and 4 hereof are subject to the limitation that an Owner who does not occupy his Unit as his personal residence, but who holds it as an investment, may be subject to the overall limit on the deductibility of investment interest, and the availability of a Federal income tax deduction for interest may create or increase the liability of an Owner of a Unit for the federal alternative minimum tax or the New York State minimum tax.

6. Members of the Association will not be entitled to deduct any portion of the Association charges from federal or state income taxes.

7. Section 528 of the Code affords certain condominium and associations, substantially all the Units of which are used as residences, the opportunity to elect to be treated as tax exempt organizations. In order to qualify, sixty percent or more of the gross income of each must consist of amounts received as membership dues, fees or assessments from the Unit Owners and ninety percent or more of the expenditures of each must be for the acquisition, construction, management, maintenance and care of the condominium and association properties. Based upon our examination of the Offering Plan and subject to the Condominium and Association actually satisfying the residency requirements and the minimum percentage income and expenditure criteria set forth above, it is our opinion that the Condominium and Association will be eligible to be treated as tax exempt organizations under Section 528 of the Code. Such an election will exempt from Federal and New York State Income Taxation all amounts received by the Condominium or the Association from the Unit Owners as membership dues, fees

SHANLEY, SWEENEY & REILLY

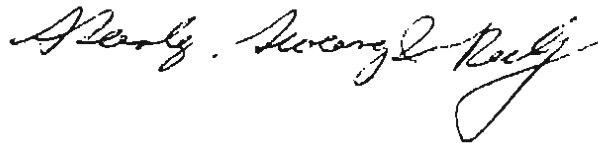
The Michaels Group, Inc.
June 18, 1986
Page Three

or assessments. We bring to your attention, however, that the Condominium and the Association will be taxed on any excess of income over expenses from unrelated sources. Examples of unrelated sources income include interest earned on reserve funds, income from concessions and income from dues or fees received from persons other than the Unit Owners.

The opinions expressed herein are based solely on the facts and documents referred to above. No warranties are made that the tax laws upon which these opinions are based will not change. We note, in fact, that legislation is currently being considered in Congress which could substantially affect current law and the opinions expressed herein. In no event will the sponsor, the sponsor's counsel, the Condominium, counsel to the Condominium, the Association, counsel to the Association, the selling agent or any other person be liable if by reason of future changes in fact or applicable law, regulations, decisional law or Internal Revenue Service Rulings, the tax status of the Condominium or the Association should cease to meet the requirements contained herein.

This opinion, or a reproduction hereof, may be inserted in the Offering Plan.

Very truly yours,
SHANLEY, SWEENEY & REILLY

A handwritten signature in cursive script, appearing to read "Stanley Sweeney Reilly". The signature is written in dark ink and is positioned below the typed name of the firm.

CERTIFICATION BY SPONSOR AND SPONSOR'S PRINCIPALS
PURSUANT TO 13 NYCRR 20.4(b)

June 18, 1986

Department of Law
Two World Trade Center
Room 48-61
New York, New York 10047

RE: Grenadier Court Condominium
Halfmoon, New York

Gentlemen:

We are the sponsor and the principals of sponsor of the Condominium Offering Plan for the captioned property.

We understand that we have primary responsibility for compliance with the provisions of Article 23-A of the General Business Law, the regulations promulgated by the Attorney General in Part 20 and such other laws and regulations as may be applicable.

We have read the entire Offering Plan. We have investigated the facts set forth in the Offering Plan and the underlying facts. We have exercised due diligence to form a basis for this certification. We jointly and severally certify that the Offering Plan does, and that documents submitted hereafter by us which amend or supplement the Offering Plan will:

- (i) set forth the detailed terms of the transaction and be complete, current and accurate;
- (ii) afford investors, purchasers and participants an adequate basis upon which to found their judgment;

Department of Law
June 18, 1986
Page Two

- (iii) not omit any material fact;
- (iv) not contain any untrue statement of a material fact;
- (v) not contain any fraud, deception, concealment, suppression, false pretense or fictitious or pretended purchase or sale;
- (vi) not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances;
- (vii) not contain any representation or statement which is false, where we: (a) knew the truth; (b) with reasonable effort could have known the truth; or (c) made no reasonable effort to ascertain the truth; or (d) did not have knowledge concerning the representations or statement made.

This certification is made under penalty of perjury for the benefit of all persons to whom this offer is made. We understand that violations are subject to the civil and criminal penalties of the General Business Law and the Penal Law.

Very truly yours,

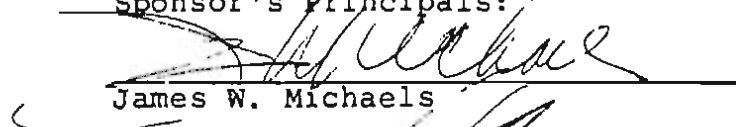
THE MICHAELS GROUP, INC.

BY: 

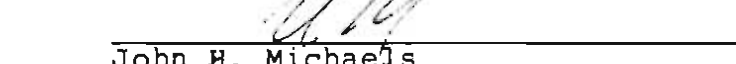
James W. Michaels, President

-SEAL_

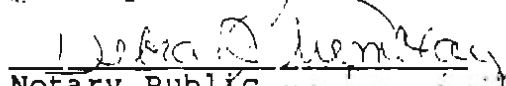
Sponsor's Principals:


James W. Michaels


J. David Michaels


John H. Michaels

Sworn to before me this
20th day of June, 1986


Notary Public

FROST

ARCHITECTURE

June 23, 1986

Department of Law
Two World Trade Center
New York, New York 10047

Re: Grenadier Court Condomonium, Halfmoon, New York

Gentlemen:

The sponsor of the Offering Plan for condominium ownership of the captioned property retained me to review a report describing the property when constructed (the "Report"). I examined the building plans and specifications that were prepared for The Michaels Group, Inc. dated April , 1986 and prepared the Report dated June 16 , 1986, a copy of which is intended to be incorporated into the Offering Plan so that prospective purchasers may rely on the Report.

I understand that I am responsible for complying with Article 23-A of the General Business Law and the regulations promulgated by the Attorney General in Part 20 insofar as they are applicable to this Report.

I have read the entire Report and investigated the facts set forth in the Report and the facts underlying it with due diligence in order to form a basis for this certification. I certify the Report does:

- (i) set forth in detail the condition of the entire property as it will exist upon completion of construction, provided that construction is in accordance with the plans and specifications that I examined;
- (ii) afford potential investors, purchasers and participants an adequate basis upon which to found their judgment concerning the physical condition of the property as it will exist upon completion of construction, provided that construction is in accordance with the plans and specifications that I examined;
- (iii) not omit any material fact;
- (iv) not contain any untrue statement of a material fact;

FROST

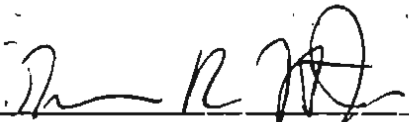
Department of Law
June 23, 1986
Page 2

- (v) not contain any fraud, deception, concealment, or suppression;
- (vi) not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances; and
- (vii) not contain any representation or statement which is false, where I: (a) knew the truth; (b) with reasonable effort could have known the truth; (c) made no reasonable effort to ascertain the truth; or (d) did not have knowledge concerning the representations or statements made.

This certificate is made under penalty of perjury for the benefit of all persons to whom this offer is made. I understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.


I further certify that I am not owned or controlled by and have no beneficial interest in the Sponsor and my compensation for preparing the Report is not contingent on the profitability or price of the offering.

This Statement is not intended as a guarantee or warranty of the physical condition of the property.



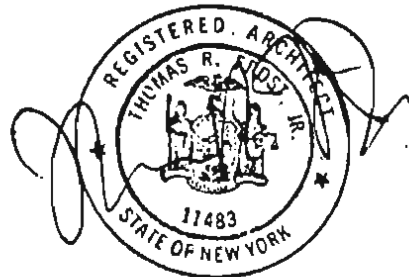
Thomas R. Frost, Jr.

Sworn to before me this
24 day of June, 1986



Notary Public

J. STEPHEN REILLY
Notary Public State of New York
Qualified in Saratoga County
Commission Expires March 30, 1987
June



President
DeRoo Associates, Inc.



Condominium
Specialist

May 5, 1986

New York State Department of Law
Real Estate Financing Bureau
Two World Trade Center - 48th Floor
New York, New York 10047

Re: Grenadier Court Condominium and Concord Court Association, Inc. (a Recreation Association) of Knox Woods Planned Development District, Town of Halfmoon, County of Saratoga, New York.

The Sponsor of the Grenadier Court Condominium Offering Plan for the above captioned property retained me to review Schedules B and C containing projections of income and expenses for the first year of Condominium operations and the current Concord Court Association (the Recreation Association) operations. My experience in this field includes:

Involvement in the development, conversion, marketing and management of condominium and homeowners' associations since 1973 and prior to that with the development and management of multifamily residential rental properties since 1970; being a Certified Property Manager (CPM) and Past President of the Western New York Chapter of the Institute of Real Estate Management (IREM); President for three years of the Western New York Chapter of the Community Associations Institute and instructor throughout Western New York of their association organizational and operational training program.

I understand that I am responsible for complying with Article 23-A of the General Business Law and the regulations promulgated by the Attorney General in Part 20 insofar as they are applicable to Schedules B and C.

I have reviewed the Schedules and investigated the facts set forth in the Schedules and the facts underlying them with due diligence in order to form a basis for this Certification.

I certify that the projections in Schedules B and C appear reasonable and adequate based on present prices (adjusted to reflect continued inflation and present levels of consumption for comparable Units similarly situated).



Certified Property Manager
Key Number 6277


P.O. Box 2159
Clifton Park
New York 12065

I certify that this Certification and all documents prepared by me hereafter that concern the Schedules do:

- (i) set forth in detail the terms of the transaction as it relates to the Schedules and be complete, current and accurate;
- (ii) afford potential investors, purchasers and participants an adequate basis upon which to found their judgment;
- (iii) not omit any material fact;
- (iv) not contain any untrue statement of a material fact;
- (v) not contain any fraud, deception, concealment or suppression;
- (vi) not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances; and
- (vii) not contain any representation or statement which is false, where I (a) knew the truth; (b) with reasonable effort could have known the truth; (c) made no reasonable effort to ascertain the truth; or (d) did not have knowledge concerning the representations or statements made.

I further certify that I am not owned or controlled by, and have no beneficial interest in, the Sponsor and that my compensation for preparing this Certification is not contingent upon the conversion of the Property to a condominium or on the profitability or price of the Offering. I understand that a copy of this Certification is intended to be incorporated into the Offering Plan so that prospective purchasers may rely on it.

This Certification is made under penalty of perjury for the benefit of all persons to whom this offer is made. I understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.


 Ruth V. DeRoo, CPM
 Certified Property Manager
 Key Number 6277

Sworn to before me this 9th day of May, 1986.



 Notary Public

J. STEPHEN REILLY
 Notary Public State of New York
 Qualified in Saratoga County
 Expires March 30, 1988
 June 30, 1988