

CODE OF REGULATIONS
FOR
THE TOWERS OF VALLEY RUN

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Prepared for the Unit Owners and Council of THE TOWERS OF VALLEY RUN.

Colin P. Heffley
Unit 601

EXHIBIT "A"

CODE OF REGULATIONS

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THE TOWERS OF VALLEY RUN

CODE OF REGULATIONS

ARTICLE I

IDENTIFICATION OF PROPERTY

This Code of Regulations governs administration and management of THE TOWERS OF VALLEY RUN, Valley Run Drive, Brandywine Hundred, New Castle County, Delaware, a condominium project submitted to the provisions of Title 25, Chapter 22 of the Delaware Code, known as the Unit Property Act, by Declaration dated the 22nd day of April, 1980, and recorded in the Office of the Recorder of Deeds in and for New Castle County, Delaware, in Deed Record C, Volume 110, Page 117. A detailed plan of the project appears in a Declaration Plan prepared by VanDemark & Lynch, Inc., Civil Engineers and Surveyors, dated the 20th day of March, 1980, and recorded in the aforesaid Office of the Recorder of Deeds in Microfilm No. 5549.

ARTICLE II

MEETINGS; NOTICE THEREOF; WAIVER1. Meetings of Unit Owners.

(a) An annual meeting of the Unit Owners shall take place on the first Tuesday in April of each year at such generally convenient time and location as may be specified by the President of the Council in a written notice mailed or delivered to each Unit no sooner than ten (10) days before and no later than five (5) days before the date of the meeting. The purpose of the meeting shall be to elect members of the Council and to transact such other business as may then come before the Unit Owners.

(b) Special meetings of the Unit Owners shall be promptly called by the President of the Council, whenever the Council so directs, or by any member of the Council who is presented with a petition signed by Unit Owners representing an

aggregate of twenty percent (20%) of the total Unit Owners vote entitled to be cast, subject to the limitation in subsection (c) hereof. Written notice of any such meeting shall be mailed or delivered to each Unit no sooner than ten (10) days before and no later than five (5) days before the date of the meeting, except that special meetings called under circumstances designated in good faith by the Council as constituting an emergency may be held as soon after the posting of notice in the lobby of the building as the Council shall decide. The notice shall specify a generally convenient date, time and location of the meeting and shall state with particularity the business to be transacted. No special meeting shall be called except for the purpose of transacting a particular item or items of business. No business shall be transacted except that specified in the notice unless ninety-five percent (95%) of all Unit Owners are either present or represented at the meeting.

(c) The organizational meeting of Unit Owners, at the time provided for in the Declaration, shall be called in accordance with the provisions governing special meetings set forth above. No special meeting shall be called by petition until after this organizational meeting is held.

2. Meetings of Council.

(a) An annual meeting of both the incumbent and the newly elected Council members shall take place immediately after the annual meeting of the Unit Owners. The first item of business at such meeting shall be the election of officers among and by the newly elected Council members. This election shall be conducted by the incumbent President. Thereafter, the incumbent Council members shall proceed to conduct any other business which may be brought before the Council. This annual meeting shall then be adjourned for no less than fourteen (14) days nor more than forty-two (42) days to a generally convenient date, time and place, as determined by majority vote of both incumbent and newly elected Council members. During the period of adjournment, the

incumbent officers shall assist the newly elected officers in becoming familiar with the responsibilities, problems, procedures and techniques of their office. Upon the resumption of the meeting following the period of adjournment, the incumbent officers shall make a final report to the Council. The incumbent Council members and officers shall then be regarded as having concluded their terms, and the newly elected Council members and officers shall alone constitute the Council and shall proceed to set dates for the regular meetings of Council and to transact such other business as may then come before the Council, including consideration of a budget for the coming year.

(b) Special meetings of the Council members shall be called whenever the President deems appropriate or whenever he is presented with the written request of two (2) other Council members. Written notice of any such meeting shall be mailed or delivered to each Council member no sooner than fourteen (14) days before and no later than three (3) days before the date of the meeting. The notice shall specify a generally convenient date, time and location of the meeting and shall state with particularity the business to be transacted. No special meeting shall be called except for the purpose of transacting a particular item or items of business. No business shall be transacted except that specified in the notice unless all Council members either are present or subsequently waive the necessity for notice.

(c) Regular meetings of the Council shall take place at intervals of four (4) months or less. The date, time and location of such meetings shall be set at the annual meeting of the Council by a majority agreement of the members. Written notice shall be mailed or delivered to each member no sooner than fourteen (14) days before and no later than five (5) days before the date of each such meeting. The purpose of the regular meetings shall be for the transaction of such business as may come before the Council.

3. Waiver of Notice.

(a) Attendance at any meeting by a Unit Owner or Council member who has not been given notice thereof shall constitute a waiver of the necessity for such notice, but not the necessity for notice of special business to be transacted.

(b) Any Unit Owner or Council member may waive the necessity for notice of any meeting or special business before or after the occurrence of such meeting.

ARTICLE III

QUORUM; EFFECTIVE VOTE; PROXIES; ORDER OF BUSINESS

1. Requisites for a Quorum.

(a) The presence in person or by proxy of any number of Unit Owners who hold, in the aggregate, fifty-one percent (51%) or more of the total Unit Owner vote entitled to be cast shall constitute a quorum for the transaction of business by the Unit Owners.

(b) The presence, in person, of five (5) Council members shall constitute a quorum for the transaction of business by the Council, except that for the purposes of the annual meeting, all members must be present.

(c) If any meeting of Unit Owners or Council members cannot be convened because a quorum has failed to attend, the meeting may be adjourned to a time not less than twenty-four (24) hours from the time for which it was originally called.

2. Vote Necessary for Resolution. Except as otherwise specifically provided in the Declaration or elsewhere in these Regulations, the vote of a majority of the aggregate percentage of the total vote present at a meeting shall be sufficient to adopt any duly proposed resolution. The voting power represented by each Unit shall be cast as a Unit and may be cast by any person in whose name all or part of title to the Unit is held, unless the Secretary of the Council is notified, in writing, to the contrary by other persons in whose name all or part of title

to the same Unit is held. Votes of Units standing in the name of the Council are not entitled to be cast.

The vote of a majority of Council members present and voting at a Council meeting shall be sufficient for the transaction of business by the Council.

3. Proxies. Unit Owners may be represented and may vote at any meeting by proxy. Proxies must be in writing, on a form prescribed by the Secretary of the Council, and filed with such Secretary prior to or at the commencement of the meeting at which the proxy is to be used. No proxy shall be for greater duration than one (1) year.

4. Order of Business. The order of business at all meetings insofar as pertinent or necessary shall be as follows:

Roll call.
Proof of notice of meeting or waiver of notice.
Reading of minutes of preceding meeting.
Reports of officers.
Reports of committees.
Removal of members or officers of Council.
Election of inspectors of election.
Election of members of Council.
Election of officers of Council.
Unfinished business.
New business.

ARTICLE IV

ELECTION OF COUNCIL MEMBERS; TERM AND LIABILITY

1. Number and Qualification of Members. There shall be five (5) members of the Council, who shall be either residents of the State of Delaware or Unit Owners, but who need not be both, and who shall be bondable; except that the Council appointed by the Developer before the first meeting of Unit Owners may consist of only three (3) members. A newly elected Council member shall qualify for office by attending the annual meeting of the Council. Council members shall receive that compensation, if any, as the Unit Owners may provide by majority vote at their annual meeting.

2. Term of Office. Three (3) of the five (5) Council members elected shall serve for a term of only one (1) year. The other two (2) shall serve for a term of two (2) years; but only

one (1) two-year Council member shall be elected annually so that the two-year terms shall be staggered rather than concurrent. To fill the vacancy which would otherwise exist during the first year of the project's existence, the Unit Owners shall, at their first annual meeting, elect a special member who shall serve for a term of only one (1) year. The term of each member of the Council shall be subject to the right of the Unit Owners to remove him, after he has had an opportunity to be heard, without or without cause, at any meeting held for that purpose, but no Council member shall be removed by less than fifty-one percent (51%) of the total Unit Owner vote entitled to be cast.

3. Vacancies. Vacancies on the Council caused by removal shall be filled by vote of the unit Owners at a special meeting held for that purpose as soon as practicable after the vacancy has occurred. Vacancies caused by death or incapacity shall be filled by majority vote of the remaining Council members. Any successor Council member shall hold office for the duration of the unexpired term.

4. Election Procedures. Election of Council members shall take place each year at the annual meeting of the Unit Owners. A member shall be elected to the Council by a majority of the total Unit Owner votes entitled to be cast. If no candidate for a given seat on the Council obtains such a majority on the first ballot, then the candidate receiving the least portion of the vote shall be eliminated and a second ballot shall be taken. This procedure shall be repeated as often as required to obtain a majority vote. The voting shall be by written and secret ballot, supervised by three (3) election supervisors elected by the Unit Owners at the annual meeting or any special meeting at which a Council member is being elected.

5. Liability of the Council Members. The members of the Council shall not be liable to the Unit Owners for any mistake of judgment, negligence or other reason, except for their own individual willful misconduct or bad faith. The Unit Owners shall

indemnify and hold harmless each of the Council members against all contractual liability to others arising out of contracts made by the Council, on the Unit Owners' behalf, unless any such contract shall have been made in bad faith or clearly contrary to the provisions of the Declaration or of these Regulations. The liability of any Unit Owner arising out of any contract made by the Council or out of the aforesaid indemnity in favor of members of the Council shall be limited to such proportion of the total liability thereunder as his interest in the Common Elements bears to the interests of all the Unit Owners in the Common Elements.

6. Bond. All Council members and employees shall be bonded in an amount and to the extent necessary to provide the Unit Owners, occupants and mortgagees with adequate protection.

ARTICLE V

ELECTIONS AND KINDS OF OFFICERS

The Council shall elect each year at its annual meeting from among its members a President, a Secretary and a Treasurer. The offices of Secretary and Treasurer may be filled simultaneously by one and the same person. An officer shall be elected by majority vote.

ARTICLE VI

TERM, DUTIES, COMPENSATION OF OFFICERS

1. Term; Removal and Vacancies. Each officer shall serve for a term of one (1) year, subject to the Council's right to remove any member from office, after he has had an opportunity to be heard, with or without cause, at any meeting called for that purpose. Vacancies shall be filled at a meeting of the Council called for that purpose and held as soon as practicable after the vacancy has occurred.

2. Duties of Officers.

(a) The President shall preside at all meetings of the Unit Owners and at all meetings of the Council. He shall have

the powers and duties generally associated with the office of the President of an association of individuals, including, but not limited to, the power to appoint committees from time to time from among Council members and any Unit Owners willing to assist in the conduct of the project's affairs. The President shall hire, supervise, discharge and be ultimately responsible to the Unit Owners for the performance of persons employed by the Council for management, maintenance, accounting or any other purposes. He shall oversee all arrangements for water service, gas, electricity, trash disposal, insurance, security, maintenance, repairs, reconstruction and all other contracts relating to the Common Elements or to the project as a whole. Insofar as practicable and possible, the President shall endeavor to include in every contract binding on the Unit Owners, as a whole, a provision limiting each Unit Owner's liability therefor to the same percentage thereof as his percentage interest in the Common Elements.

(b) The Secretary shall keep, or cause to be kept, minutes of all meetings of the Unit Owners and of the Council. He shall receive and send out notices and correspondence on behalf of the Council. He shall have charge of such books, papers and documents as the Council may direct and shall, in general, perform all the duties incident to the office of Secretary of an association of individuals. He shall promptly inform any institutional lender holding a first mortgage against one or more Units which has registered as such with the Council of any delinquency extending thirty (30) days or more in the payment of any general or special assessment on such Unit or Units.

(c) The Treasurer shall comply with the requirements made of him by the Delaware Unit Property Act and shall have custody of all personal property jointly owned by the Unit Owners, including funds, securities and evidence of indebtedness. Within thirty (30) days after his election to the office, the Treasurer-Elect, assisted by the incumbent Treasurer, shall prepare a detailed estimate of the common expenses for the coming year. A

copy of the estimate shall be promptly mailed or delivered to every Council member and to every Unit. The Unit Owners and Council members shall have seven (7) days thereafter in which to demand that a special meeting be called for the purpose of discussing and approving the estimate. If no such meeting is demanded, the estimate shall be deemed acceptable, and the Treasurer shall form a budget and calculate the monthly assessment needed from each Unit Owner. Each and every item of cost, expense or reserve shown on the budget thus accepted or approved shall be deemed a valid common expense of the condominium project.

The Treasurer shall, within ten (10) days after being directed and authorized by the Council to make additional assessments for expenses not included or accurately forecast in the initial estimate, prepare an explanation of same for prompt delivery by the Secretary to each Unit. The Unit Owners shall have five (5) days after such delivery in which to demand that a special meeting be called for the purpose of discussing and approving the additional assessment. If no such meeting is demanded, the assessment shall be deemed acceptable.

The Treasurer shall give the Secretary all information required to inform each Unit Owner of the monthly and special assessments due. The Treasurer shall be responsible for collecting all assessments from the Unit Owners and all other income, rents or proceeds due to the Council for the common benefit of the Unit Owners. He shall deposit and keep funds so collected in such account or accounts as the Council may direct. No withdrawals shall be made from said account or accounts except on the signature of both the Treasurer and the President; provided, however, that whenever necessary, withdrawals may be made on the signatures of any three (3) Council members.

The Treasurer is authorized and empowered to provide at a reasonable fee, which shall be used to defer the Council's expenses, management assistance to Unit Owners who wish to lease their Units. Such assistance may include seeking a tenant,

collecting rents and administering the Unit in accordance with the terms of the lease. The Treasurer shall have the right, in his sole and absolute discretion, to refuse such assistance to any Unit Owner.

In the President's absence, the Treasurer shall act as President Pro Tem at any duly convened meeting.

3. Compensation of Officers; Delegation of Duties. The performance of, but not the responsibility for, any officer's duties may be delegated by the Council, if the officer so requests, to any suitable person employed by the council. No officer shall be paid any compensation for his services in such capacity except as may be provided for by vote of the Unit Owners at their annual meeting.

ARTICLE VII

WORK ON COMMON ELEMENTS AND UNITS

1. Common Elements - Upkeep Procedures.

(a) Repair, maintenance and replacement of the Common Elements shall be undertaken only by employees or agents of the Council or at the Council's direction. No Unit Owner or occupant shall paint or otherwise adorn any of the Common Elements, place fans, air conditioning units or other devices in any exterior window, permit any wires to be installed for telephone, television, radio or otherwise along any exterior or interior Common Element walls or install any antenna on the exterior of any structure without first receiving written permission of the Council, which permission, if given, may at any time thereafter, on ten (10) days' written notice, be withdrawn for reasonable cause.

(b) Any need or suspected need for repair, maintenance or replacement of any Common Element from within a Unit shall be promptly brought to the attention of the Council by the owner or occupant of that Unit. The employees or agents of the Council shall have the unhindered right to enter, leave and move about in

the Unit as frequently and to whatever extent necessary to accomplish the required work. They shall also have the right to inspect each Unit once every year to ascertain its condition.

(c) Emergency work within a Unit may be accomplished at any time and without advance notice. All other work and the annual inspection shall be accomplished at such time or times as the Council, after ascertaining the desires of the Unit Owners and occupants, and with due regard for their convenience, may specify by written notice delivered to the Unit involved at least fifteen (15) days in advance.

(d) The Council may delegate to a full or part-time project engineer or manager employed for such purpose all or any part of its duties and powers with respect to the upkeep of the Common Elements, but may not delegate its responsibilities therefor. The Council may from time to time contract with any firm, person or corporation for the performance of any maintenance, replacement, repair or reconstruction.

(e) In the event the Council fails to maintain the project in accordance with its duties hereunder, any Unit Owner, occupant or institutional first mortgagee shall have the right to compel the specific performance of the Council in a court of equity. Should the Council fail to make emergency repairs within twenty-four (24) hours of receiving notice of the need therefor, the Unit Owner, occupant or institutional first mortgagee may cause the same to be made and seek reimbursement from the Council in a court of law. All doubts shall be resolved by the court in favor of the good faith judgment and decision of the Council.

2. Common Elements - Upkeep and Costs.

(a) The costs of materials, labor, services, supplies and any other expenses incurred to repair, maintain, replace or reconstruct the Common Elements shall be paid by the Treasurer from assessments collected and reserves created or funds received for such purpose. Costs and expenses forecast in the Treasurer's annual estimate may be paid without further authorization of the

Council. All other costs and expenses must be separately authorized. The Council shall have the power to borrow funds for maintenance, repairs or replacements if necessary to prevent waste or meet an emergency. Otherwise, the Council shall first seek the authorization of the Unit Owners. No bank or other lender shall be required to ascertain if the Council has proper authority to borrow, but any bank or lender which has first obtained the written assurances of each Council member that the borrowing is proper shall be entitled to presume conclusively that such assurances are true.

(b) Any damage to a Unit Owner's or occupant's personal property or Unit which occurs in the course of repairs, maintenance or replacement of the Common Elements by the Council shall be reported to the Council as soon as discovered. If satisfied that the damage was so caused, and not as the result of any carelessness on the part of the Unit Owner or occupant, the Council shall make a reasonable reimbursement therefor.

(c) Any maintenance, replacement or repair to the Common Elements made necessary by an act or acts of a Unit Owner, occupant or invitee, other than such as occur in the course of normal, careful usage resulting in ordinary wear and tear, shall be assessed solely to the Unit Owner involved.

3. Work on Units by Unit Owners.

(a) Each Unit Owner must promptly, at his own expense, perform all maintenance and repair work within his Unit, exclusive of Common Elements, which, if not performed, would or might cause damage to any portion of the Common Elements or to any portion of any other Unit, including the contents thereof. Each Unit Owner shall be strictly liable for damage and personal injury caused by his failure to so perform.

(b) All repairs, maintenance and replacements required in connection with any Unit, exclusive of Common Elements, shall be the responsibility of the various Unit Owners. The Council may, but need not, undertake to arrange for repairs, maintenance

and replacements which are the Unit Owner's responsibility if the Unit Owner so requests and deposits with the Council, in advance, an amount of money estimated by the Council as being sufficient to meet the cost of the work to be done. Any excess will be refunded and any deficiency will be assessed to the Unit Owner.

(c) No Unit Owner or occupant shall make any structural installation or alteration to which the Council objects. A Unit Owner or occupant desiring to make a structural installation or alteration shall first so notify the Council, in writing. He shall furnish the Council with such further information and drawings as may be requested. The Council shall have thirty (30) days from its receipt of the notification within which to deliver to the Unit involved its written objection. The Council shall be justified in resolving all doubts regarding duress, damage to and safety of the Common Elements against the proposed installation or alteration.

In the event no objection is made, the installation or alteration may proceed, subject to the right of the Council at any time thereafter to conclude that an objection should have been made. If the Council so concludes, it shall cause the installation to be removed or the alteration to be changed back and shall reimburse the Unit Owner for the resulting diminution in the value of the Unit or for the original cost of the installation or alteration, without depreciation, whichever amount is greater; provided, however, that the Unit Owner shall bear all costs of, and shall receive no reimbursement for, removing or changing back any installation or alteration which materially varies from the plans submitted to the Council.

4. Construction Using Insurance or Condemnation Proceeds.

(a) In the event of damage to or destruction of all or any part of a building or of any Common Element as the result of any casualty against which the Council has obtained insurance, the Council shall arrange for the prompt repair and restoration thereof, including, without limitation, non-supporting partition

walls, wall board, paint, finished floor surfaces, electrical outlets, lighting fixtures, plumbing fixtures, doors, windows, hot water heaters, appliances and heating and air conditioning units, but only to the extent that the same were in existence on the date of the Declaration and considered in determining the replacement value of a building for insurance purposes or are otherwise covered by the insurance coverage obtained (carpeting, furniture, household equipment and other furnishings and decorations shall be the responsibility of the Unit Owners to the extent not covered by the Council's insurance). The insurance trustee or Council, as the case may be, shall disburse the insurance proceeds to the contractors engaged in such repair and restoration in appropriate progress payments.

The foregoing provisions are subject to the condition that no such work shall be begun or continued, nor shall any disbursements be made, if the condominium or any part thereof is validly the subject of any suit in partition by reason of the damage or destruction. Such suit, to be effective, must be brought within seven (7) days after the occurrence of the damage or destruction; otherwise, the right to partition shall be conclusively deemed waived.

(b) In the event of damage to or destruction of any building or other Common Element as a result of taking under the power of eminent domain, the Council shall, to the extent practical and possible, arrange for the prompt repair and restoration of the remainder thereof and shall disburse proceeds received as payment to the contractors engaged in such repair and restoration in appropriate progress installments. Such proceeds as are not needed for repair and restoration shall be divided among the Unit Owners in the same manner as insurance and salvage proceeds would be divided after a casualty and as the result of a suit for partition; provided, however, that where the taking of a Common Element under power of eminent domain disproportionately and

materially diminishes the value of any Unit or Units in comparison with any others, as determined in the sole but good faith, reasonable discretion of Council, then the proceeds shall be divided and distributed so as to equalize such disproportionate diminuation.

ARTICLE VIII

COLLECTION OF COMMON EXPENSES

1. Budget and Assessments in Advance. The Council, through its Treasurer, shall have the power and authority to prepare a budget for each year in advance and to make assessments for each month in advance for the common expenses anticipated in such budget, subject only to the right of the Unit Owners to call a meeting for the purpose of discussing and approving or disapproving the budget when the Treasurer presents his annual estimate of common expenses. No objection shall be made to any assessment on the basis that the expenses which such assessment is intended to meet have not yet been incurred. The budget and assessments therefor may provide for the creation of reserves to meet unforeseen contingencies or to provide for expenses which may not be incurred until an undetermined time in the future beyond the one (1) year period during which the budget will be in force.

2. Advance Deposit. The Council may require each Unit Owner to maintain or deposit with the Treasurer an amount to be used for common expenses, which amount shall not exceed three (3) times the monthly current assessment against the Unit. Any advance deposit held by the Council for the account of a Unit Owner who conveys his Unit to a new owner shall automatically be deemed assigned to such new owner and shall be credited to the new owner's account, notwithstanding any law, demand or instruction to the contrary.

3. Manner of Paying Assessment. Assessments shall be paid by check, cash or money order, delivered to the Treasurer on or before the date when such assessment is due.

4. Acceleration of Assessment Upon Default. In the event that the monthly or any special assessment of any Unit Owner remains unpaid, regardless of the amount which he has on deposit, or in the event that the amount on deposit remains deficient for a period of more than sixty (60) days, the Council shall have the right to call for, in writing, immediate payment of all sums past due and all assessments scheduled to become due during the remainder of the fiscal year as if this aggregate amount had originally been due and payable in full. The Council may take any and all steps available within the law to collect the amount due.

5. Effect of Unpaid Assessment. So long as any general or special assessment is due and unpaid, the Unit subject to such assessment shall not be sold or encumbered, nor shall any lease thereon be entered or assigned, nor shall any existing lien or encumbrance be extended or increased, except with the Council's written consent, and any rents, common profits or other income rights with respect to such Unit shall be deemed assigned to the Council as security. This paragraph shall be subject to such rights as may be then vested in the institutional first mortgagee of such Unit, if any.

6. Suspension of Utilities as Penalty. So long as any general or special assessment is due and unpaid, the Council shall have the right to suspend any centrally supplied utility or service for the Unit subject to such assessment. No such suspension shall reduce the affected Unit's liability for common expenses during the time of such suspension or thereafter.

7. Settlement; Expenses of Collection. Every Unit Owner against whom legal action is taken to collect an assessment or enforce any covenant, condition, obligation or restriction shall, if judgment is rendered against him, be liable for all court costs and for reasonable attorneys' fees the same as if such costs and fees were part of the original amount due, except that no interest shall be calculated on the costs and fees. The Council shall have the right to settle any claim against a Unit

Owner, occupant or other person or legal entity for such amount and on such terms as the Council believes to be in the project's best interests.

8. Exceptions for Developer's Units. Notwithstanding any other provision to the contrary, no lawsuit, suspension of utilities or other action shall be taken by or on behalf of the Council or any Unit Owner, occupant, mortgagee or other lienor to collect any assessment made against any Unit owned by Developer or its successors or assigns which is not being occupied as a residence pursuant to a valid certificate of occupancy unless and to the extent that such assessment is for expenditures actually made by the Council for the cost of electricity, gas, oil, water, sewer, insurance protection, trash disposal or maintenance personnel in fact used or relied on by Developer in connection with such Unit. To the extent that Developer owes any assessment on a Unit at the time when that Unit is being conveyed, Developer shall not receive any reimbursement therefor, but the amount of assessment owed by Developer to the Council and the amount of reimbursement owed by the Council to Developer shall cancel each other out insofar as they are equal.

ARTICLE IX

PROMULGATION AND AMENDMENT

1. Rules of Conduct. The Council may from time to time promulgate and amend rules governing the use and operation of the project facilities and Common Elements in general.

2. Amendments to Code of Regulations. The Council may from time to time amend the Code of Regulations.

3. Unit Owner Approval. No Rule of Conduct and no amendment to the Code of Regulations shall be recorded or become effective until a copy thereof has been made available for inspection by all Unit Owners at some convenient place in the project for a period of at least fifteen (15) days following written notification to each Unit, indicating the general purpose

of the rule or amendment and the location of the copy. Any time before or after the effective date of the rule or amendment, the Unit Owners may cause a special meeting to be held, at which the same may be rescinded by a majority of the total vote cast. Rescission shall automatically revive the previous status of the Rules or Code, as the case may be. The Unit Owners shall not have the power themselves to directly promulgate or amend any rule or regulation.

4. Developer Approval. So long as the Developer holds title to more than two (2) units, whether in the Developer's name or in the name of a nominee, no Rule of Conduct or amendment, addition to or deletion from the Code of Regulations or Declaration shall be effective without the Developer's written consent.

ARTICLE X

ACQUISITION OF UNITS BY COUNCIL

1. By Right of First Refusal. Any Unit Owner who receives and desires to accept a bona fide offer for the acquisition of his Unit or any interest therein, which offer is subject to the restrictions of transfer set forth in the Declaration, shall notify the Council, in writing, of all of the terms of the offer and of the name and address of the party making the offer. Simultaneously therewith, the Unit Owner shall make and post a copy of such notice in the building, which notice shall bear the date of posting. The other Unit Owners shall have five (5) days from and after the date of such posting to petition the Council to hold a special meeting for the purpose of hearing opinions on the course of action which the Council should take. Such petition must bear the signatures of Unit Owners holding at least twenty percent (20%) of the total vote entitled to be cast by all the Unit Owners; otherwise, no such meeting shall be held.

If a meeting is to be held, the Council shall set a date no later than seven (7) days from and after presentation of the petition. Notice of the meeting shall not be mailed, but shall

instead be posted in the building as soon as possible, and in no event less than seventy-two (72) hours before the meeting. The meeting may, once begun, be adjourned for no longer than forty-eight (48) hours, and no further adjournments shall be permitted except to conclude the meeting. In the event the Council is not directed at such meeting by a ninety percent (90%) vote, as provided in the Declaration, to make the acquisition, the Unit Owners shall have until ten o'clock in the evening (10:00 p.m.) of the second day from and after such meeting to deliver to the Secretary or his delegate and simultaneously to the owner of the Unit in question, providing he is available, notice of intent to receive and to exercise and assignment of the Council's right of first refusal.

In the event that no meeting is held, or in the event that a meeting is held but the Council is neither directed to make the acquisition nor notified to assign its right of first refusal, the Council shall promptly mail or deliver to the Unit Owner giving notice of the offer a written statement that all the provisions of the Declaration and Code of Regulations restricting transfer have been satisfied as to such offer. The Unit Owner shall not thereafter transfer the Unit or interest except in strict accordance with the terms and conditions of the notice given. No subsequent modification of the terms of any lease or other conveyance of an interest shall be permitted except with the prior written consent of the Council. Any transfer or conveyance which violates the provisions restricting same shall be subject to the right of the Council or its assignee, within sixty (60) days after Council had discovered the violation, to acquire the Unit or interest from the then owner thereof; but such right shall in no event extend for a period longer than one (1) year from the date of the violation.

If, on the other hand, the Council is directed to make the acquisition or if its right of first refusal is assigned, then, as soon as practicable and in all events within thirty (30) days

after its receipt of the notice of offer, either the Council or its assigns shall enter into a binding contract with the Unit Owner who gave such notice, which contract shall contain all the terms and conditions of the notice except that the Council or its assigns shall be permitted to sublease or otherwise transfer its interest in the Unit without the Unit Owner's consent. Settlement shall be held in accordance with the offer, but in no event shall the Council or its assigns be required to settle sooner than twenty (20) days after the Unit Owner's vote is taken.

2. By Purchase at Unrestricted Sale.

(a) The council may, if authorized by a Unit Owner vote of ninety percent (90%) or more of the votes cast, acquire by purchase as a common expense any Unit offered for sale under circumstances constituting an exception to the restrictions on transfer contained in the Declaration.

(b) The Council may, if authorized by Unit Owner vote of a majority of the votes cast, acquire by purchase as a common expense any Unit offered for sale under circumstances making its acquisition necessary in order to protect the Council's lien for unpaid assessments thereon.

3. Power to Borrow On and Dispose of Units. The Council may, if authorized by the Unit Owners, borrow money to accomplish any of the aforesaid acquisitions. Management and disposition of any Unit or Units standing in the Council's name may be accomplished by the Council without prior authorization of the Unit Owners.

VRCT, LTD.
A Texas Limited Partnership

By: SOLE GENERAL PARTNER:

L&N CONSULTANTS, INC.
A Nevada Corporation

WITNESS:

James Cone

By: *Walter Walker*
Vice President

ATTEST:

WITNESS:

Rob Brutton

Sheri Starbird
Asst. Secretary



STATE OF TEXAS §
 § SS:
COUNTY OF DALLAS §

BE IT REMEMBERED, that on this 23rd day of April, 1980, personally came before me Sheri Starbird, President of L&N CONSULTANTS, INC., a Nevada corporation, the Sole General Partner of and with full and complete authority to execute the foregoing instrument on behalf of VRCT, LTD., a Texas limited partnership, a party to this Indenture, known to me personally to be such, and acknowledged this Indenture to be his act and deed and the act and deed of said corporation in its capacity as Sole General Partner of said partnership, and that the signature affixed is that of the President thereto in his own proper handwriting and the seal affixed is the common and corporate seal of said corporation, and that his act of sealing, executing, acknowledging and delivering said Indenture was duly authorized by a resolution of the Board of Directors of said corporation in its capacity and pursuant to its authority as Sole General Partner of said partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, the day and year aforesaid.

Ann Patterson (ANN
Notary Public in and for PATTERSON)
Dallas County, Texas

