
Kings Cove

Neighborhood

Association

BY-LAWS

BY-LAWS

OF

KINGS COVE NEIGHBORHOOD ASSOCIATION, INC.

ARTICLE I - NATURE OF BY-LAWS

1. Purpose. The By-Laws are intended to govern the administration of KINGS COVE NEIGHBORHOOD ASSOCIATION, INC. (hereinafter referred to as the "Association"), a non-profit membership corporation organized under Title 15A of the Revised Statutes of New Jersey, together with the management, administration, utilization and maintenance of that certain property described in Exhibit A attached hereto and made a part hereof located in the City of Brigantine, New Jersey (the "Premises") as well as that certain real property described in Exhibit B attach hereto and made a part hereof located in the City of Brigantine, New Jersey (the "Additional Premises") for the purpose of providing for the conservation, preservation and enhancement of the Premises and Additional Premises (hereinafter sometimes jointly referred to as the "Neighborhood") so as to contribute to the personal and general health, safety and welfare of residents of the Neighborhood and for the conservation, preservation and enhancement of the value of the lands and improvements to be constructed on such lands located in the Neighborhood. These By-Laws shall affect the Additional Premises as such sections of the Additional Premises are acquired by the KINGS COVE LIMITED PARTNERSHIP, a limited partnership formed under the laws of the State of New Jersey, having an address at c/o Summit Land Development, Inc., 59 North Lakeview Drive, Gibbsboro, New Jersey 08026 and a separate document, executed by KINGS COVE LIMITED PARTNERSHIP, is recorded in the Atlantic County Clerk's Office subjecting such portion of the Additional Premises to the provisions of KINGS COVE Declaration of Covenants, Conditions and Restrictions.

2. Definitions. Unless the context clearly indicates otherwise, all definitions set forth in the Kings Cove Declaration of Covenants, Conditions and Restrictions are incorporated herein by reference.

ARTICLE II - MEMBERSHIP AND VOTING RIGHTS

1. Membership. Every owner of the fee simple title to any Lot, Townhouse or Unit situated upon the real property subject to the provisions of the KINGS COVE Declaration of Covenants, Conditions and Restrictions shall be

a member of the Association, subject to the provisions of these By-Laws and any rules and regulations promulgated by the Board of Trustees. Membership in the Association shall terminate when any owner of a Lot, Townhouse or Unit shall cease to be the record owner of such Lot, Townhouse or Unit, as the case may be.

2. Voting Rights. There shall be one vote in the Association for each such Lot, Townhouse or Unit, each of equal weight, all of which shall initially be held by KINGS COVE LIMITED PARTNERSHIP ("Declarant"), provided, however, that upon each conveyance of title of a Lot, Townhouse or Unit by Declarant to another owner, such owner shall become entitled to one (1) vote for each Lot, Townhouse or Unit purchased, and the number of votes held by the Declarant shall be reduced accordingly. Declarant's votes shall be cast by such persons as it may from time to time designate. Votes not held by Declarant shall be cast in person or by proxy as otherwise provided herein.

If there are co-owners of record of a Lot, Townhouse or Unit (whether by joint tenancy, tenants in common, tenancy by the entirety, or otherwise) all of such co-owners may attend the meeting of the Association but their vote shall be exercised unanimously or by having such co-owners designate in writing one person who alone shall be entitled to exercise the entire voting rights appurtenant to the Lot, Townhouse or Unit, as the case may be, which designation shall be recorded on the voting list and shall be controlling until cancelled or superseded by written notice to the Secretary of the Association received at least one (1) day prior to the meeting in which the co-owners desire another person to be designated to cast their vote. If the co-owners fail to designate such a person at any time, they shall nevertheless be required to cast their vote unanimously. If the co-owners cannot unanimously agree on how to cast their vote at a meeting, then, and in that event, the vote appurtenant to their Lot, Townhouse or Unit, as the case may be, shall not be permitted to be cast at the meeting and said vote shall not be counted for purposes of determining a quorum or voting. If the co-owners shall not be permitted to cast the vote appurtenant to the Lot, Townhouse or Unit, as the case may be, as provided in the immediately preceding sentence, they shall be deemed to have consented to any action taken at such a meeting which requires the unanimous consent of all such owners. Notwithstanding the foregoing, if such co-owners shall have failed to designate a person to cast their vote, then if any of the co-owners is present or represented by proxy, said co-owner or the holder of such proxy, as the case may be, shall be accepted by the Association as the agent and attorney-in-fact for the other co-owners not present and shall be

permitted to cast the vote appurtenant to his Lot, Townhouse or Unit, as the case may be. If a Lot, Townhouse or Unit, as the case may be, is held in a fiduciary capacity, the fiduciary and not the beneficiary shall be entitled to exercise the appurtenant voting rights.

3. Suspension of Rights. The membership rights of any aforementioned owner may be suspended by action of the Board of Trustees during the period when such owner's Association assessments remain unpaid, but, upon payment of such assessments, his rights and privileges shall be automatically restored. If the Board of Trustees has adopted and published rules and regulations governing the use of the Neighborhood, and the personal conduct of any person thereon, the Board of Trustees may, in its discretion, suspend the rights of any person for violation of any such rules and regulations for a period not to exceed thirty (30) days.

ARTICLE III - MEETING OF THE MEMBERS OF THE ASSOCIATION

1. Place of Meetings. All meetings of the members of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the members as may be designated by the Board of Trustees.

2. First Annual Meeting and Regular Annual Meetings. All regular annual meetings of the members of the Association following the first annual meeting shall be held in subsequent years in the same month as the first annual meeting of members. The first annual meeting of members shall be held within twelve (12) months after Declarant has relinquished majority control of the Board of Trustees by permitting members (other than Declarant) to elect eighty (80%) percent of the Board of Trustees, but in no event after five (5) years after the date of the recording of the KINGS COVE Declaration of Covenants, Conditions and Restrictions, or on such earlier date as Declarant may, in its sole discretion, choose. If the election of a new Board of Trustees shall not be held at the annual meeting or any adjournment of such meeting, the Board of Trustees shall cause the election to be held at a special meeting as soon thereafter as conveniently may be. At such special meeting the members may elect the Trustees and transact such other business with the same force and effect as at an annual meeting duly called and held.

3. Special Meetings. After the first annual or special meeting, special meetings of members (i) may be

called by the President whenever he deems such a meeting advisable, or (ii) shall be called by the Secretary when so ordered by the Board of Trustees or upon the written request of members representing no less than one-third (1/3) of all of the votes entitled to be cast. Such written request shall state the purpose(s) of the requested meeting and the matter(s) proposed to be acted upon. Unless members representing a majority of all votes entitled to be cast request such a meeting, no special meeting may be called by the Secretary to consider any matter which is substantially the same as a matter voted upon at any meeting of the members held during the preceding twelve (12) months. Special meetings may be called prior to the first annual meeting of members for the purpose of electing members to the Board of Trustees to replace those members designated by Declarant as provided by New Jersey law and these By-Laws.

4. Notice of Meetings. Except as otherwise provided by law, notice of each meeting of the members, whether annual or special, shall be given not less than ten (10) days nor more than ninety (90) days prior to the day on which the meeting is to be held. Such notice shall be given to each member entitled to vote or his representative at the address of his Lot, Townhouse or Unit, as the case may be, or at such other address as may be designated by the said member in writing to the Secretary of the Association by delivering a written or printed notice thereof to the Secretary personally, or by mailing such notice, postage prepaid. Except where expressly required by law, no publication of any notice of a meeting of members shall be required. Every such notice shall state the time and place of the meeting and shall state briefly the purpose(s) thereof. Notice of any meeting of members shall not be required to be given to any members who shall attend such meeting in person or by proxy, such attendance being a waiver of notice thereof. Notice of any adjourned meeting of the members shall not be required to be given except when expressly required by law.

5. Quorum and Adjourned Meetings. At each meeting of the members, thirty-three and one-third (33 1/3%) percent of the members entitled to vote, present either in person or represented by proxy, shall constitute a quorum for the transaction of business except where otherwise provided by law. In the absence of a quorum, the members present in person or represented by proxy and entitled to vote may, by a majority vote, adjourn the meeting from time to time until a quorum shall be present or represented. At any such adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted had a meeting originally been called.

6. Organization. At each meeting of the Association, the President, or, in his absence, the Vice President, or, in the absence of both of them, a chairperson chosen by the Board of Trustees, shall act as a chairperson. The Secretary, or in his absence, a person whom the chairperson shall appoint, shall act as Secretary of the Meeting.

7. Voting. Except as otherwise provided or required by the Articles of Incorporation of this Association, the KINGS COVE Declaration of Covenants, Conditions and Restrictions, or any law, and unless otherwise specifically provided in these By-Laws, a quorum being present, a majority of all those voting in person or by proxy shall be sufficient on those matters which are to be voted on by the members. All proxies shall be in writing, signed and dated by all individual members or by his or their duly authorized representative(s) and delivered to the Secretary of the meeting. Signatures on proxies shall be notarized as provided for by New Jersey law or witnessed by a member of the Board of Trustees to be valid. The proxy may be revoked at any time by written notice to the Association. No proxy shall endure for more than one (1) meeting and any postponements thereof, but in no event shall a proxy be voted on after eleven (11) months from its date unless said proxy provides for a longer period of duration not to exceed three (3) years from the date of execution. Such proxy shall also become void when the Association has received notice of the death or judicially declared incompetence of the grantor of such proxy or the recording of the transfer of title to the Lot, Townhouse or Unit from the grantor of such proxy.

The election of Trustees shall be by ballot. The vote on any other question need not be by ballot unless demanded by a majority of members present in person or by proxy at such meeting and entitled to vote thereat or determined by the chairperson of the meeting to be advisable.

8. Inspectors. If, at any meeting of the members, a vote by ballot shall be taken on any question, the chairperson of such meeting shall appoint two (2) persons to act as inspectors with respect to such vote. The inspectors need not be members of the Association, and any officer of the Association may be an inspector on any question other than a vote for or against (i) his election to any position with the Association or (ii) any other question in which he may be directly interested. Each inspector so appointed shall first subscribe to an oath to faithfully execute the duties of an inspector at such meeting with strict impartiality and according to the best of his ability. Such inspectors shall decide upon the

qualifications of voters and shall report the number of votes represented at the meeting and entitled to vote on any question requiring a ballot, and they shall conduct the voting, accept the votes, and, when the voting is completed, they shall ascertain and report the number of votes and the results of the balloting. Reports of inspectors shall be in writing and shall be subscribed and delivered by them to the Secretary of the Meeting.

9. Order of Business. The order of business at the annual meetings of the members or at any special meetings, as far as practicable, shall be:

- (a) Calling of the roll and certifying the proxies.
- (b) Proof of notice of meeting and waiver of notice.
- (c) Reading and disposal of any unapproved minutes.
- (d) Receiving reports of officers.
- (e) Receiving reports of committees.
- (f) Appointment of inspectors of election, if appropriate.
- (g) Election of Trustees, if appropriate.
- (h) Old business.
- (i) New business.
- (j) Adjournment.

ARTICLE IV - BOARD OF TRUSTEES

1. General. The property, affairs and business of the Association shall be governed and managed by the Board of Trustees (hereinafter referred to as the "Board"), which shall have all those powers granted to it by the Articles of Incorporation of the Association, the above described KINGS COVE Declaration of Covenants, Conditions and Restrictions, these By-Laws and by law.

2. Number and Qualifications. Until no later than sixty (60) days after twenty-five (25%) percent of the Townhouses and Units have been conveyed by Declarant and title closed, the Board shall consist of three (3) persons designated by the Declarant, none of whom need be unit owners or residents of the Neighborhood. Thereafter, and until no later than sixty (60) days after seventy-five (75%) percent of the Townhouses and Units have been paid for and title closed, the Board shall be composed of five (5) persons, two (2) of whom shall be owners and elected by a majority of the votes (other than the Declarant's votes) entitled to be cast at a duly convened special meeting of

the Association. Within sixty (60) days after seventy-five (75%) percent of the Townhouses and Units have been paid for and title closed, the members (other than Declarant) shall elect Trustees, who shall be owners, to replace the remaining Trustees designated by Declarant, subject to Declarant's right to designate one (1) member of the Board of Trustees so long as Declarant owns one (1) or more Lots, Townhouses or Units, as the case may be, that are unsold in the ordinary course of business. In the case of partnership owners, Trustees shall be members or employees of such partnership. In the case of corporate owners, Trustees shall be officers, stockholders, employees or agents of such corporation. In the case of fiduciary owners, Trustees shall be fiduciaries or employees or officers of such fiduciaries. At least one (1) of the Trustees shall be a resident of the State of New Jersey.

3. Election and Term of Office. At the first annual meeting of members as described in Article III, Section 2 of the By-Laws, the members of the Association shall elect five Trustees to replace the Trustees who succeeded the Trustees appointed by the Declarant, all of whom shall be owners and members of the Association. The three Trustees receiving the three highest numbers of votes shall serve as Trustees for terms of two (2) years each and the two nominees receiving the fourth and fifth highest number of votes shall serve as Trustees for terms of one (1) year each. Upon the expiration of the initial term of each Trustee elected at the said first annual meeting, his successor shall be elected to serve a term of two (2) years. The regular terms of the Trustees shall not expire until the earlier of (i) annual meeting held during the month in which their term expires or (ii) next annual meeting after expiration of their term, and the Trustees shall hold office until their respective successors have been duly elected and qualified, or until removed in the manner elsewhere provided. The existing Board shall act until the completion of the meeting at which the election of the new Board of Trustees has been held. Each member, including the Declarant to the extent that the Declarant is still a member, shall vote in accordance with the provisions of these By-Laws and the KINGS COVE Declaration of Covenants, Conditions and Restrictions for each position to be filled, provided that Declarant shall not have a vote in elections in which new Trustees are required to be elected by members to replace those designated by Declarant. If at any meeting for election of Trustees more than twice the number of candidates to be elected at such meeting are nominated, then and in such event there shall be a second ballot, if necessary, for the purpose of filling positions for which a majority of the votes cast were not received on

the first ballot. If a second ballot is required, then, at the end of the first ballot, the field of nominees shall be reduced so that there are no more than twice as many candidates running as there are positions left to be filled, with the persons receiving the fewest votes being eliminated. On the second ballot, the persons receiving the most votes will be elected. If there are not more than twice the number of nominees for the number of positions to be filled, then there shall be one (1) ballot, with the persons receiving the most votes being elected to the Board. If at the first annual membership meeting a second ballot is necessary, a nominee or nominees receiving a majority of the votes cast on the first ballot, if any, shall be deemed to have received a higher number of votes than the nominees elected on the second ballot for the purpose of determining the length of their terms.

Notwithstanding any other provisions of these By-Laws, so long as the Declarant shall own at least one (1) Lot, Townhouse or Unit, as the case may be, that is unsold in the regular course of business, the Declarant or its designee shall be a member of the Board. At the next annual meeting of members after Declarant no longer owns one (1) or more of such Lots, Townhouses or Units, the Declarant or its designee shall vacate the Board and the place so vacated shall be filled by an owner (including Declarant) by vote of the members, and Declarant shall have the right to vote in such election and all subsequent elections in accordance with the Declarant's voting rights as an owner.

4. Removal of Trustees. At any duly held regular or special meeting of the members, any one (1) or more Trustee(s) may be removed with or without cause by a majority of the votes present, and a successor may then or thereafter be elected to fill the vacancy thus created. Any Trustee whose removal has been proposed shall be given an opportunity to be heard at the meeting. This provision shall not apply to the Trustees appointed by the Declarant.

5. Vacancies. Vacancies in the Board caused by any reason shall be filled by a vote of a majority of the remaining Trustees at a special meeting of the Board held for that purpose promptly after the occurrence of any such vacancy, even though the Trustees present at such meeting may constitute less than a quorum. If the vacancy occurs while the Declarant controls the Board by having designated or appointed a majority of the Trustees, and if a Trustee who was elected by owners other than Declarant is removed or resigns as Trustee for any reason, then the vacancy created by such removal or resignation shall be filled by an owner other than Declarant by a vote of a

majority of the members other than Declarant voting at a duly constituted meeting of members, unless there are six (6) months or less remaining in such Trustee's term, in which event the Board shall have the right to designate a successor (other than Declarant) to serve the remainder of the term. Each person so elected shall be a Trustee until the next annual membership meeting and until his successor shall be elected. Notwithstanding the foregoing, in the event a vacancy in the Board is caused by a removal of a Trustee by a vote of the members of the Association, said vacancy shall be filled by a vote of a majority of the members voting at a duly constituted meeting of members. In all events, Declarant shall have the right to replace any Trustees designated by Declarant.

6. Compensation. No Trustee shall receive any compensation for acting as a Trustee. However, Trustees may be reimbursed for out-of-pocket expenses and may be compensated for services rendered to or for the Neighborhood or the Association in any other capacity.

7. Meeting of the Board. The first meeting of the Board shall be held within ninety (90) days following the date that the members other than Declarant have elected a majority of the Trustees. Thereafter, regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Trustees, but at least two (2) meetings shall be held each year. Notice of regular meetings of the Board shall be given to each Trustee by telephone, mail, or telegram at least five (5) business days prior to the day of the meeting. Special meetings of the Board may be called by the President on three (3) business days' notice to each Trustee given by telephone, mail or telegram, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or the Secretary in like manner and on like notice on the written request of at least three (3) Trustees. Any Trustee may, at any time, waive notice of any meeting of the Board in writing and such waiver shall be deemed equivalent to the giving of notice. Actual attendance by a Trustee at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all of the Trustees are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

8. Quorum and Adjourned Meetings. At all meetings of the Board, a majority of the Trustees shall constitute a quorum for the transaction of business and the votes of a majority of the Trustees present and voting at a meeting at which a quorum is present shall constitute a

valid decision. If at any meeting of the Board there shall be less than a quorum present, the majority of those present shall adjourn the meeting to a new date. At any such adjourned meeting at which a quorum is present, any business which may have been transacted at the original meeting may be transacted without further notice.

9. Joinder in Minutes by Approval. The transaction of any business at any meeting of the Board however called or wherever held shall be valid as though the meeting was duly held after regular call and notice, if a quorum is present, or if, either before or after the meeting, each Trustee signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes thereof or of the resolution or acts adopted at such meeting. All such waivers, consents or approvals shall be in writing and filed with the Secretary and made a part of the minutes of the meeting even though filed subsequent thereto.

10. Non-Waiver. All of the rights, duties and privileges of the Board shall be deemed to be continuing and shall not be exhausted by any single act or series of acts. To the same extent, the failure of the Board to use or employ any remedy or right hereunder or hereby granted shall not preclude its exercise in the future nor shall any custom bind the Board.

ARTICLE V - POWERS AND DUTIES OF BOARD OF TRUSTEES

All of the powers, duties and privileges of the Association shall be exercised by the Board, which powers, duties and privileges shall include those granted to it by law, the KINGS COVE Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation of the Association and the By-Laws. Such powers, duties and privileges which the Board shall exercise in its sole discretion shall include, but shall not be limited to, the following:

1. Powers and Privileges

(a) Employ, by contract or otherwise, a manager, managing agent, managerial personnel or an independent contractor, to oversee, supervise and generally satisfy the responsibilities of the Board. Said manager or said independent contractor shall be compensated upon such terms as the Board deems necessary and proper;

(b) Employ any person, firm or corporation

to repair, maintain and renovate all property, maintained or operated by the Association;

(c) Employ professional counsel and obtain advice from persons, firms or corporations such as, but not limited to, landscape architects, recreation experts, architects, planners, biologists, investment counselors, lawyers and accountants;

(d) Employ or contract for painting, building, repairing, renovating and remodeling, and, where applicable, to supply, resell or lease the same;

(e) Adopt and amend rules and regulations covering the details of the operation and use of the Premises and Additional Premises and to effectuate the provisions of KINGS COVE Declaration of Covenants, Conditions and Restrictions;

(f) Maintain businesslike relations with owners or occupants whose service requests shall be received, considered and recorded in systematic fashion in order to show the action taken with respect to each, and, as part of a continuing program, secure full performance by such owners or occupants of all such items and maintenance for which they are responsible;

(g) Arrange for security protection as necessary;

(h) Enforce obligations of the owners and do anything and everything else necessary and proper for the sound management of the Neighborhood, including the right to bring law suits to enforce the terms, conditions and restrictions contained in the KINGS COVE Declaration of Covenants, Conditions and Restrictions, By-Laws, and the rules and regulations governing the Neighborhood or owners, including, without limitation, the levy of fines against owners for violations of the foregoing;

(i) Borrow and repay monies and give notes, mortgages or other security upon such term or terms as it deems necessary; invest and reinvest monies; sue and be sued; collect interest, dividends and capital gains; exercise rights, pay taxes; make and enter into contracts; enter into leases or concessions; make and execute any and all proper affidavits for various purposes; compromise any action without leave of court; and all other powers contained herein and those necessary and incidental thereto;

(j) Grant and obtain easements, licenses and other property rights, including riparian grants, with respect to contiguous lands and any other lands acquired by the Association;

(k) Purchase or lease or otherwise acquire in the name of the Association or its designee(s), corporate or otherwise, on behalf of all owners of Lots, Townhouses or Units within the Neighborhood offered for sale or lease or surrendered by their owners to the Board;

(l) Purchase Lots, Townhouses or Units, as the case may be, within the Neighborhood at foreclosure or other judicial sales in the name of the Association or its designee(s), corporate or otherwise, on behalf of all owners;

(m) Sell, lease or otherwise deal with Lots, Townhouses or Units acquired by, and sublease Lots, Townhouses or Units leased by, the Association or its designee(s), on behalf of all owners;

(n) Appoint and remove all members of committees, including, without limitation, the Architectural and Landscaping Committee.

2. Duties and Responsibilities

(a) Cause the general appearance, including the architecture and landscaping, of the Neighborhood to be maintained according to accepted standards of the Architecture and Landscaping Committee and as set forth in the KINGS COVE Declaration of Covenants, Conditions and Restrictions, including, but not limited to, interior and exterior designing, painting and decorating, removal of refuse from all buildings, snow removal where necessary, maintenance of roads, walkways and parking areas and such other maintenance, replacement and repair work as may be necessary;

(b) Investigate, hire, pay, supervise and discharge the personnel necessary to be employed, and provide the equipment and materials necessary, in order to properly maintain, preserve, and enhance the value of the Neighborhood. Compensation for the services of such personnel shall be considered an operating expense of the Association;

(c) Allocate common surplus or make repairs, additions, improvements to, or restoration of, the Neighborhood, in accordance with the provisions of these By-Laws and the KINGS COVE Declaration of Covenants, Conditions and Restrictions;

(d) Take such action as may be necessary to comply promptly with any and all orders or requirements affecting the premises maintained by the Association placed thereon by any Federal, State, County or Municipal authorities having jurisdiction thereover, and order of the Board of Fire Underwriters or other similar bodies;

(e) Demand that employees who handle or are responsible for the handling of monies be bonded by fidelity bond;

(f) Place, obtain, maintain and keep in force, to the extent obtainable, all insurance coverage required to be maintained by the Association applicable to the property and members, including, without limitation:

(i) Workmen's Compensation Insurance.
As required by law.

(ii) Automobile Insurance. Automobile collision and liability insurance for all vehicles owned by the Association, if any. Such collision insurance may be written with deductible coverage in an amount determined by the Board, and such liability insurance shall be in an amount not less than that provided under the public liability policy hereinabove described.

(iii) Additional Insurance. Such other insurance in such amounts as the Board may determine to be necessary or desirable.

All policies shall (i) provide that adjustment of loss shall be made by the Board of Trustees (as Insurance Trustee); (ii) to the extent obtainable contain waivers of subrogation and waivers of any defense based upon co-insurance or of invalidity arising from any acts of the insured; and (iii) provide that such policies may not be cancelled or substantially modified without at least ten (10) days' prior written notice to all of the insureds.

The Board shall also have the power, and not the duty, to appoint an Insurance Trustee, who need not be a member of the Board of Trustees, but who shall serve as Insurance Trustee at the pleasure of the Board.

ARTICLE VI - FISCAL MANAGEMENT

1. Common Receipts. In fulfilling its duty to manage the fiscal affairs of the Association, the Board shall have the duty to collect from each member/owner,

or its, his, her or their heirs, personal representatives, executors, administrators, successors and assigns, as "common receipts", a proportionate part of the common expenses assessed against each owner as provided in the KINGS COVE Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation, these By-Laws, and in accordance with applicable law.

2. Determination of Common Expenses. The amount of monies for common expenses deemed necessary by the Board and the amount of expenditures thereof, including, but not limited to, any allocations thereof, shall be a matter for the sole discretion of the Board.

3. Disbursements. The Board shall take and hold the funds as collected and shall disburse the same for the purposes and in the manner set forth herein and as required by the KINGS COVE Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation, and applicable law.

4. Depositories. The depository of the Association shall be such bank or banks as shall be designated from time to time by the Board and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such parties as are authorized by the Board; provided, however, that a management agreement may include among its provisions authority for the manager to sign checks on behalf of the Association for payment of the obligations of the Association, if the proper fidelity bond is furnished to the Association.

5. Accounts. The receipts and expenditures of the Association shall be credited and charged to accounts under the following classifications as shall be appropriate:

(a) Current expenses, which shall include all receipts and expenditures within the year, including a reasonable allowance for contingencies and working funds, but excluding expenditures chargeable to reserves, to additional improvements or to operations. The balance of this fund at the end of each year shall be applied to reduce the assessments for current expenses for the succeeding year, or distributed to the membership as the Board in its full discretion shall determine;

(b) Reserve for deferred maintenance, which shall include funds for maintenance items that occur less frequently than annually;

(c) Reserve for replacement, which shall include funds for repair or replacement of facilities of the Association required because of damage, depreciation or obsolescence, and which shall be allocated among each of the separate categories of replacement items;

(d) Reserves for capital improvements, which shall include the funds to be used for capital expenditures for additional improvements or additional personal property that will be a part of the Association's facilities;

(e) Operations, which shall include any gross revenues from the use of the Association's facilities or from any other sources. Only the additional direct expense required by any revenue-producing operation will be charged to this account, and any surplus from any operation or otherwise shall be used to reduce the assessments for current expenses for the year during which the surplus is realized, or, at the discretion of the Board, in the year following the year in which the surplus is realized. Losses from operations or otherwise will be met by special assessments against members, which assessments may be made in advance in order to provide a working fund.

6. Reserves. The Board shall not be obligated to expend all of the revenues collected in any accounting period, but may maintain reasonable reserves for, among other things, emergencies, bad weather, uncollectible accounts and uncollected accounts and other contingencies. Said reserve fund or funds shall be kept in either short or long term interest-bearing securities, United States Treasury obligations, certificates of deposit, money market accounts or in insured interest-bearing savings account(s). The foregoing shall not be construed to prohibit the Board from maintaining additional cash on hand, in a checking or petty cash account, for the necessary discharge of its functions. Anything to the contrary herein notwithstanding, neither Declarant nor any holder of an institutional mortgage on any Lot, Townhouse or Unit, as the case may be, except to the extent that they may be owners, shall be required to contribute or pay any sum for reserves of any kind, whether by way of regular or special assessments or otherwise. Declarant shall have the obligation as an owner to contribute and pay for reserves along with other owners.

7. Notice. The Board shall give notice to each owner in writing, and to any mortgagee holding a first mortgage on a Lot, Townhouse or Unit who requires same, of the amount estimated by the Board to be the common expenses for the management and operation of the Association for the next ensuing period, which notice shall be directed

by ordinary mail or by hand delivery to the member at the member's address in the Neighborhood or at the member's last address designated to the Secretary of the Board in writing by the member. Said notice shall be conclusively presumed to have been delivered five (5) days after deposit in the United States mails. If an annual common expense assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior year's assessment, and monthly installments on such assessment shall be due upon each installment payment date until changed by an amended assessment. In the event the annual common expense assessment proves to be insufficient, the budget and assessments may be amended at any time by the Board, provided, however, that nothing herein shall serve to prohibit or prevent the Board from imposing a lump-sum assessment in the case of an immediate need or emergency.

8. Acceleration of Assessment Installments Upon Default. If a member shall be in default in the payment of an assessment, the Board may accelerate the remaining installments of the assessment upon notice to the member, and the then unpaid balance of the assessment shall come due upon the date stated in the notice, but not less than five (5) days after delivery of the notice to the member, or not less than ten (10) days after the mailing of such notice to him by certified mail, whichever shall first occur. If such default shall continue for a period of thirty (30) days, then the Board shall be obligated to (i) accelerate the remaining installments of the assessment, (ii) file a lien for such accelerated assessment as permitted by New Jersey Law and the KINGS COVE Declaration of Covenants, Conditions and Restrictions and (iii) notify the mortgagee of the Lot, Townhouse or Unit, as the case may be, affected by such default. If such default continues for a period of one hundred eighty (180) days, then the Board shall have the duty to foreclose the foregoing lien pursuant to law and/or commence a suit against the appropriate parties to collect said assessment.

9. Interest and Counsel Fees. The Board, at its option, shall have the right to impose an interest or late charge at the legal maximum if a payment is made after a certain date stated in a written notice. In the event that the Board shall effectuate collection of said payment by resort to counsel, the Board may add to the aforesaid payment the sum of twenty (20%) percent of the gross amount due as counsel fees in addition to such other costs allowable by law.

10. Annual Audit. The Board shall submit its books, records and memoranda for annual audit by an indepen-

dent public accountant who shall audit the same and render a certified or uncertified report thereon in writing to the Board and in summary form to the members and such other persons, firms or corporations as may be entitled to same.

11. Examination of Books. Each member shall be permitted to examine the books of account of the Board at a reasonable time on business days; provided, however, that the Board has been given at least ten (10) days' prior written notice of the member's desire to make such an examination.

12. Fidelity Bonds. Fidelity bonds shall be required by the Board from all persons handling Association funds, or who are responsible for Association funds. The amount of such bond shall be determined by the Trustees. The premiums on such bond shall be paid by the Association.

13. Fiscal Year. The fiscal year of the Association shall be on a calendar year basis or such other fiscal year as shall be determined by the Board.

ARTICLE VII - OFFICERS

1. Designation. The principal officers of the Association shall be a President, Vice-President, a Secretary and a Treasurer, all of whom shall be members of the Board. The Board may also appoint such other Assistant Treasurers and Assistant Secretaries as in their judgment may be necessary, and none of such additional officers shall be required to be a Board member or owner. Any two offices, except that of President and Vice-President, may be held by one (1) person.

2. Election of Officers. The officers of the Association shall be elected annually by the Board of Trustees at the first Board meeting following each annual meetings of members, and such officers shall hold office at the pleasure of the Board. If the Board agrees on the designation of officers by appointment, such election shall not be necessary.

3. Removal of Officers. Upon an affirmative vote of a majority of the Trustees, any officer may be removed, either with or without cause, and his successor appointed or elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

4. Duties and Responsibilities of Officers.

(a) President. The President shall be the chief executive officer of the Association. He shall

preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of President of an association, including, but not limited to, the power to appoint committees from among the members of the Association from time to time as he may in his discretion deem appropriate to assist in the conduct of the affairs of the Association.

(b) Vice-President. The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board shall appoint an interim President from among the Trustees of the Association. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board.

(c) Secretary. The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the members of the Association; he shall have charge of such books and papers as the Board may direct; and he shall, in general, perform all of the duties incident to the office of the Secretary.

(d) Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the same manner and to the credit of the Association in such depositories as may from time to time be authorized by the Board.

5. Other Duties and Powers. The officers shall have such other duties, powers and responsibilities as shall, from time to time, be authorized by the Board.

6. Compensation. No compensation shall be paid to the President or Vice-President for their services, except reimbursement for out-of-pocket expenses or compensation for services rendered in any other capacity to or for the Association. The Secretary and/or Treasurer or other officers may be compensated for their services if the Board determines that such compensation is appropriate.

7. Eligibility of Trustees. Nothing herein contained shall prohibit a Trustee from being an officer.

ARTICLE VIII - ENFORCEMENT,
INDEMNIFICATION AND EXCULPABILITY

1. Enforcement. The Association shall have the power, at its sole option, to enforce the terms of this instrument and the KINGS COVE Declaration of Covenants, Conditions and Restrictions, or any rule or regulation promulgated pursuant thereto or hereto, by any of the following: self-help; sending notice to the offending party to cause certain things to be done or undone; restoring the Association to its original position and charging the breaching party with the entire cost or any part thereof; complaint to the duly constituted authorities; or by taking any other action, summary or otherwise, including such action before any court as may be provided by law. The foregoing remedies shall be in addition to any other powers granted herein, in the KINGS COVE Declaration of Covenants, Conditions and Restrictions and the New Jersey Statutes and not in limitation thereof.

2. Fines. The Association shall have the power to levy fines against any members for violation(s) of any rule or regulation or use restrictions contained in the KINGS COVE Declaration of Covenants, Conditions and Restrictions, By-Laws or rules and regulations, except that no fine may be levied for more than Fifty (\$50) Dollars for any one violation, but for each day a violation continues after notice it shall be considered a separate violation. Collection of the fines may be enforced against any members involved as if the fine were a common expense owed by the particular member.

3. Indemnification. Each Trustee and officer of the Association, and their delegees or appointees, shall be indemnified by the Association against the actual amount of net loss, including counsel fees, reasonably incurred by or imposed upon him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a Trustee or officer of the Association, or delegee or appointee of same, except as to matters as to which he shall be finally found to be liable for gross negligence or willful misconduct. In the event of a settlement of any such case, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified had not been guilty of gross negligence or willful misconduct.

4. Exculpability. Neither the Board as a body nor any Trustee nor any officer of the Association, nor the delegees or appointees of any of them, shall be personally liable to any member in any respect for any action or lack

of action arising out of the execution of the duties of his office in the absence of a showing of bad faith, and each member and unit owner shall be bound by the good faith actions of the Board and officers of the Association, or their delegees or appointees, in the execution of the duties of Trustees and officers. Nothing contained herein to the contrary shall serve to exculpate members of the Board of Trustees appointed by the Declarant from their fiduciary responsibilities.

ARTICLE IX - USE RESTRICTIONS

The following restrictions shall apply to the use of all Lots, Townhouses and Units, subject to such Rules and Regulations regarding the use and operation of the Neighborhood and conduct of the owners and occupants thereof as shall be duly adopted from time to time under the applicable New Jersey Statutes, if any, and these By-Laws:

(a) No exterior television, radio or other antenna, aerial, satellite receiving dish or windmill shall be erected or maintained in the Neighborhood or on any Lot, Townhouse Or Unit located therein without prior written approval of the Architectural and Landscaping Committee.

(b) Nothing shall be done or kept in the Neighborhood or any Lot, Townhouse or Unit located therein which shall increase the rate of insurance on any such Lot, Townhouse or Unit without the approval of the Board nor shall anything be done or kept in the Neighborhood or any Lot, Townhouse or Unit located therein which would result in the cancellation of insurance on any such Lot, Townhouse or Unit or which would be in violation of any law.

(c) No inoperable vehicle or any commercial vehicle, recreational vehicle, trailer or boat shall be parked or otherwise placed upon any Lot, driveway or street in front of such Lot or driveway, for a period exceeding seventy-two (72) consecutive hours.

(d) No repairs to any motor vehicle or boat shall be performed on a Lot or driveway or street in front of such Lot or driveway.

(e) No improvements or alterations affecting the outward appearance of any Townhouse or Unit may be undertaken without the prior written approval of the Architectural and Landscaping Committee.

(f) No fences shall be constructed or erected on any Lot without the prior written approval of the Architectural and Landscaping Committee.

ARTICLE X - MAINTENANCE, REPAIR,
ADDITIONS, ALTERATIONS OR IMPROVEMENTS

1. Maintenance and Repair to Units. Each member shall promptly perform, at his own expense and risk, all maintenance and repair work with respect to each Lot, Townhouse or Unit owned by him and which, if not performed, would adversely affect the safety or first-class appearance of the Neighborhood or any part or parts thereof. Each member shall be liable for any damages, liabilities, costs or expenses, including attorney's fees, caused by or arising out of his failure to promptly perform any such maintenance and repair work.

2. Miscellaneous. A member is responsible to promptly report to the Board any defect or need for repairs, the responsibility of which is that of the Association.

ARTICLE XI - AMENDMENTS

These By-Laws, or any of them, may be altered or repealed, or new By-Laws may be made, at any meeting of the Association duly constituted for such purpose, and previous to which written notice to members of the exact language of the amendment or of the repeal shall have been sent, a quorum being present, by an affirmative vote of a majority of the votes entitled to be cast in person or by proxy, except that (i) the first annual meeting of members may not be advanced, (ii) the first Board (including replacements in case of vacancies) may not be enlarged or removed, (iii) the obligation or the proportionate responsibility for the payment of common expenses may not be increased by reason of any such amendment or repeal. No amendment, repealer or revision to these By-Laws or the Articles of Incorporation of the Association, and no rule or regulation adopted by the Board of Trustees shall directly or indirectly make any change which would have a material effect upon any of the rights privileges or operations of the Declarant and no amendment to these By-Laws shall be made without Declarant's written consent as long as Declarant owns one (1) or more Lots, Townhouses or Units unsold in the ordinary course of business.

ARTICLE XII - CONFLICT

Anything to the contrary herein notwithstanding, if any provision of these By-Laws is in conflict with, contradicts or is inconsistent with the KINGS COVE Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation of the Association, or with the requirements of any law, the terms and provisions of the KINGS COVE

Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation or such law shall be deemed to be controlling, and the members covenant to vote in favor of such amendments in these By-Laws or the Articles of Incorporation of the Association or any other documents as will remove such conflicts or inconsistencies.

ARTICLE XII - ACQUISITION OF TOWNHOUSES
OR UNITS BY THE BOARD

Acquisition of Townhouses or Units, regardless of type, by the Board on behalf of all members may be made from the working capital in the hands of the Board, or, if such funds are insufficient, the Board may in its discretion either (i) levy an assessment against each owner as a common charge, which assessment shall be enforceable in the same manner as common charges, or (ii) borrow money to finance the acquisition of such units; provided, however, that no financing may be secured by an encumbrance or hypothecation of any property other than the Townhouse or Unit to be acquired by the Board together with the appurtenant interests thereto. Acquisition of a Townhouse or Unit by the Board on behalf of all members may not be made without the prior written consent of two-thirds (2/3's) of members entitled to vote at a meeting held in accordance with these By-Laws. The Board shall not levy an assessment in accordance with section (i) so long as Declarant controls the Board.

ARTICLE XIV - MISCELLANEOUS

1. Notices. Any notices required to be sent to the Association shall be sent by certified mail, return receipt requested, to the Board in care of the Secretary of the Association and to the managing agent, if any. Any notice required to be sent to any owner or member shall be deemed to have been properly sent and notice thereby given if mailed, by regular post with postage prepaid, addressed to the owner or member at his address in the Neighborhood or such other address as may be designated by a member in writing to the Association.

Notice to one of two or more co-owners of a Lot, Townhouse or Unit shall constitute notice to all co-owners. It shall be the obligation of every owner and member to immediately notify the Secretary of the Association in writing of any change of address.

Unless otherwise provided herein or in the KINGS COVE Declaration of Covenants, Conditions and Restrictions, all notices shall be deemed to have been given when mailed

except notice of change of address which shall be deemed to have been given when received.

2. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the enforceability or effect of the balance of these By-Laws.

3. Waiver. No restriction, condition, obligation or covenant contained in these By-Laws shall be deemed to have been abrogated or waived by reason of the failure to enforce the same.

4. Corporate Seal. The Association shall have a seal in circular form having within its circumference the words "KINGS COVE NEIGHBORHOOD ASSOCIATION, INC.".