

SCHEDULE C

BY-LAWS

- OF -

BEECHWOOD ESTATES HOMEOWNERS ASSOCIATION, INC.

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BY-LAWS

OF

BEECHWOOD ESTATES HOMEOWNERS ASSOCIATION, INC.

A New York Not-for-Profit Corporation

ARTICLE I NAME, LOCATION AND PRINCIPAL OFFICE

These are the By-Laws of the Beechwood Estates Homeowners Association, Inc., hereinafter referred to as the "Association". The principal office of the Association shall be located in the City of Glen Cove, County of Nassau, City and State of New York.

ARTICLE II DEFINITIONS

The following words when used in these By-Laws shall, unless the context otherwise prohibits, have the meanings set forth below:

(a) "Association" shall mean and refer to the Beechwood Estates Homeowners Association, Inc., a New York Not-for-Profit Corporation;

(b) "Common Property", "Common Area" shall mean and refer to those areas of land, including the facilities constructed thereon, described in and shown upon the Site Plan attached to and forming a part of the Declaration, devoted to the common use and enjoyment of the Members;

(c) "Declaration" shall mean and refer to the Declaration of Covenants, Restrictions, Easements, Charges and Liens applicable to the Subject Property recorded among the land records in the Office of the Clerk of Nassau County, New York simultaneously with the recording of these By-Laws.

(d) "Developer" shall mean and refer to Beechwood Estates Associates, a New York Limited Partnership, and its successors and assigns.

(e) "Home" shall mean and refer to all units of single-family residential housing situated upon lots located on The Subject Property.

(f) "Institutional First Mortgage" shall mean a first mortgage granted by a Federal or State Savings and Loan Association, savings bank or commercial bank, a life insurance company, union pension fund, agency of the United States Government or agency of the State of New York, FHA or VA approved lender or a mortgage granted by the Owner to a purchaser of a Unit.

(g) "Lot" shall mean and refer to any plot of land located on the Subject Property intended to be subdivided for residential use, shown upon the subdivision map of the Subject Property, but shall not include the Common Areas as herein defined.

(h) "Member" shall mean all those Owners who are holders of a membership interest in the Association, as such interest is set forth in Article VI.

(i) "Owner" shall mean and refer to the record owner of fee simple title to any Home, including the Developer with respect to an unsold Home. Every Home Owner shall be treated for all purposes as a single owner for each Home held, irrespective of whether such ownership is joint, in common, or tenancy by the entirety. When such ownership is joint, in common, or tenancy by the entirety, the majority vote of such owners shall be necessary to cast any vote to which such owners are entitled.

(j) "The Subject Property" shall mean and refer to all those areas of land described in and subject to the Declaration.

ARTICLE III PURPOSES

This Association is formed to own, operate, manage and control the Common Property as an automatic Home Owners' Association for the benefit of its Members.

ARTICLE IV

APPLICABILITY

All present and future Members, lessees, tenants, their families, guests, licensees, agents, employees and any other person or persons that shall be permitted to use the Common Property shall be subject to these By-Laws and to the rules and regulations issued by the Association to govern the conduct of its Members.

ARTICLE V

USE OF FACILITIES

The Common Property shall be limited to the use of the Members and their guests. In the event that a Member shall lease or permit another to occupy his Home, however, the lessee or occupant shall at the option of the Member, be permitted to enjoy the use of the Common Property in lieu of and subject to the same restrictions and limitations as said Member. Any Member, lessee or occupant entitled to the use of the Association facilities may extend such privileges to members of his family residing in his household by notifying the Secretary of the Association in writing of the names of any such persons and of the relationship of such Member, lessee or occupant to such persons.

ARTICLE VI

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership The Association shall have two classes of membership interest as follows:

a) Class A Members

The Owner of each Lot on the Subject Property other than the Developer shall be a Class A Member whether such ownership is joint, in common or tenancy by the entirety. Each Class A Member is entitled to one vote regardless of the number of Homes which he owns. When more than one person or entity holds such interest in any lot, the one vote attributable to such Lot shall be exercised by the majority vote of those persons or entities. Class A Members may not split or divide their votes on any motion or resolution except to elect the directors of the Association.

b) Class B Member

The Developer, its successors and assigns shall be the Class B Member of the Association. The Class B Member shall have no voting rights but it shall have the veto power over certain expenditures as set forth elsewhere herein and the right to designate directors as set forth elsewhere herein. The Class B Member need not reside at the property.

Section 2. Suspension of Membership During any period in which a Member shall be in default in the payment of any assessment levied by the Association, the voting rights, of such Class A Member and the Member's right to use of the Common Property may not be suspended by the Board of Directors.

Section 3. Voting Rights. No vote of the Class A Members shall be taken until the Developer conveys title to the Common Property to the Association which title shall be conveyed prior to the conveyance of title to the first Home.

ARTICLE VII QUORUM, PROXIES AND WAIVERS

Section 1. Quorum. So many Members as shall represent at least 51% of the total authorized votes of all Members present in person or represented by written proxy shall be requisite to and shall constitute a quorum at all meetings of the Association for the transaction of business, except as otherwise provided by Statute, by the Declaration, the Certificate of Incorporation of the Association or by these By-Laws. If, however, such quorum shall not be present or represented at any meeting of the Association, the Members entitled to vote thereat, present in person or represented by written proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting originally called.

Section 2. Vote Required to Transact Business. When a quorum is present at any meeting, the vote of 51% of the Members present in person or represented by written proxy shall decide any question brought before such meeting. Any such vote shall be binding upon all Members, unless the question is one upon which, by express provision of Statute, the Declaration, Certificate of Incorporation or of these

By-Laws, a different vote is required, in which case such express provisions shall govern and control the decision of such question.

Section 3. Right to Vote. Members shall be entitled to vote either in person or by proxy at any meeting of the Association. Any such proxy shall only be valid for such meeting or subsequent adjourned meetings thereof.

Section 4. Proxies. All proxies shall be in writing and shall be filed with the Secretary prior to the meeting at which the same are to be used. A notation of such proxies shall be made in the minutes of the meeting.

Section 5. Tenants and Occupants. Notwithstanding any other provisions of these By-Laws, in the event a Member shall lease or permit another to occupy his Home and elects to permit the lessee or occupant to enjoy the use of the Common Property in lieu of the Member himself, the Member may, by a writing directed and in form satisfactory to the Board of Directors of the Association, also permit the lessee or occupant to exercise his right to vote for the duration of the lease or permitted occupancy, or for a period of ten years, whichever is shorter. Upon the expiration of said period, and each successive period, the Member shall have the right to extend the lessee's or occupant's right to his vote if the aforesaid conditions are again satisfied.

Section 6. Waiver and Consent. Wherever the vote of the membership at a meeting is required or permitted by Statute or by any provision of the Declaration, Certificate of Incorporation or of these By-Laws to be taken in connection with any actions of the Association, the meeting and vote of the membership may be dispensed with if all Members who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such action being taken.

Section 7. Place of Meetings. Meetings shall be held at such suitable place convenient to the Members as may be designated by the Board of Directors and designated in the notices of such meetings.

Section 8. Annual Meetings. The annual meeting of the membership of the Association shall be held on such

date as is fixed by the Board of Directors. A Board of Directors shall be elected by ballot of the membership at such meeting. The Members may also transact such other business as may properly come before the meeting.

Section 9. Special Meetings. It shall be the duty of the President to call a special meeting of the Association, if so directed by the Board of Directors, or upon the presentation to the Secretary of a petition signed by a majority of the Members.

Section 10. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Member and to each tenant or occupant entitled to vote pursuant to Section 5 of this Article, at least ten but not more than thirty days prior to such meeting. The mailing of a notice in the manner provided in these By-Laws shall be considered notice served.

Section 11. Order of Business. The order of business at all meetings shall be as follows:

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

ARTICLE VIII BOARD OF DIRECTORS

Section 1. Number and Term. The number of Directors which shall constitute the whole Board shall be three. An initial Board consisting of three Directors shall be designated by the Developer to serve until the first annual meeting of the Association. Within six months of the closing of the first Home, elections shall be conducted for a new Board of Directors. At the first annual meeting and

at all subsequent meetings, the Class A Members shall vote for and elect Directors to serve for one year terms and until their successors have been duly elected and qualified. All Directors, other than those designated by the Class B Member, must be either Members of the Association, or lessees or occupants entitled to the use of the Common Property in lieu of the Members renting or permitting them to occupy the Home in which they reside.

Section 2. Cumulative Voting and Right of Developer to Designate Certain Board Members. In any election of Directors, each Class A Member shall be entitled to as many votes as shall equal the number of Directors to be elected and a Class A Member may cast all of such votes for a single Director or may distribute them among two or more Directors as he sees fit. Notwithstanding the foregoing, the Class B Member shall have the right to designate at least two Directors at any annual meeting of the Association until the sooner of the five years from the date of the closing of the first Home, or until the Developer closes title to 50% of the Homes under the Offering Plan. In addition, to assure the Class B Member at least minimum representation on the Board of Directors the Class B Member shall have the right to designate one Director to the Board of Directors as part of the election process, so long as it owns one or more Homes.

Section 3. Vacancy and Replacement. If the office of any Director other than a Director appointed by the Class B Member becomes vacant by reason of the death, resignation, retirement, disqualification, removal from office or otherwise, a majority of the remaining Directors though less than a quorum, at a special meeting of Directors duly called for this purpose, shall choose a successor. The successor shall hold office for the unexpired term in and until the annual meeting at which his successor is duly elected and qualified. Directors who were elected or designated by the Class B Member shall only be succeeded by an individual appointed by the Class B Member.

Section 4. Removal. Directors other than those appointed by the Class B Member may be removed without cause by an affirmative vote of a majority of the Members. No Director, other than a designee of the Class B Member, shall continue to serve on the Board if, during his term of office, he shall cease to be either a Member, or a lessee or occupant entitled to the use of the Common Property in lieu of the Member renting or permitting him to occupy the Home in which he resides. Directors elected or designated by the Class B Member may only be removed by the Class B Member.

Section 5. Powers.

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

1. To determine and levy monthly assessments ("Association Assessments") to cover the cost of repairing, operating and maintaining the Common Property, including snow removal from all roads and the parking spaces located on the Subject Property, payable in advance. The Board of Directors may increase the monthly assessments or vote a special assessment in excess of that amount, if required, to meet any additional necessary expenses;
2. To collect, use and expend the assessments collected to maintain, care for and preserve the Common Property;
3. To make repairs, restore or alter any of the Common Property after damage or destruction by fire or other casualty or as a result of condemnation or eminent domain proceedings;
4. To open bank accounts on behalf of the Association and to designate the signatories to such bank accounts;
5. To insure and keep insured the Common Property in accordance with Article XII of these By-Laws;
6. To collect delinquent assessments by suit or otherwise, to abate nuisances and to enjoin or seek damages from Members for violations of the house rules or rules and regulations herein referred to;
7. To make reasonable rules and regulations and to amend the same from time to time. Such

rules and regulations and amendments thereto shall be binding upon the Members when the Board has approved them in writing and delivered a copy of such rules and all amendments to each Member. Such rules and regulations may, without limiting the foregoing, include reasonable limitations on the use of the Common Property by guests of the Members, as well as reasonable admission and other fees for such use;

8. To employ workmen, janitors and gardeners and to purchase supplies and equipment, to enter into contracts, and generally to have the powers of Directors in connection with the matters hereinabove set forth;

9. To bring and defend actions by or against more than one Member and pertinent to the operation of the Association.

10. To cause to be made all necessary or desirable alterations, additions or improvements in and to the HOA Property. The cost and expense thereof shall constitute a common expense of all Home Owners. Notwithstanding the foregoing, however, whenever the cost and expense of such alterations, additions, or improvements would, in the judgment of the Board, exceed \$5,000.00 at any one time, in any calendar year, such proposed alterations, additions or improvements shall not be made unless first approved by 75% of the Class A Members at a duly constituted meeting of the Home Owners. Except as otherwise provided in the Declaration and in these By-Laws, all such alterations, additions, or improvements, costing \$5,000.00 or less, in any calendar year may be made without the approval of the Class A Members. However, so long as Class B Member shall own 25% or more of the Homes, no additions, alterations, or improvements shall be made to the HOA Property, regardless of the cost, unless the consent of the Class B Member is first obtained, except for those alterations, additions or improvements required by law or regulations.

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

Section 6. Compensation. Directors and officers, as such, shall receive no compensation for their services.

Section 7. Meetings.

(a) The first meeting of each Board newly elected by the Members shall be held immediately upon adjournment of the meeting at which they were elected, provided a quorum shall then be present, or as soon thereafter as may be practicable. The annual meeting of the Board of Directors shall be held at the same place as the annual meeting of the Association Members and immediately after the adjournment of same, at which time the dates, places and times of regularly scheduled meetings of the Board shall be set.

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

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

(d) At all meetings of the Board, a majority of the Directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and an act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided

by Statute, or by the Declaration or by these By-Laws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting until a quorum shall be present.

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

Section 8. Annual Statement. The Board of Directors shall annually furnish to all Members and to the mortgagees of such Member's homes within 90 days of the close of the Association's fiscal year and when called for by a vote of the Members at any special meeting of the Members, a full and clear statement of the business conditions and affairs of the Association, including a balance sheet and profit and loss statement verified by an independent certified public accountant and a statement regarding any taxable income attributable to the Members and a notice of the holding of the annual meeting of the Association Members.

Section 9. Fidelity Bonds. The Board of Directors at their discretion may require that all officers and employees of the Association handling or responsible for Association funds, including the Managing Agent, shall furnish adequate fidelity bonds. The premiums on such bonds shall be an expense of the Association.

Section 10. Managing Agent. The Board of Directors may employ for the Association a managing agent under a term contract or otherwise at a compensation established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to all of the delegable duties of the Board listed in this Article.

Section 11. Specific Duties. In addition to whatever general duties these By-Laws may impose upon said Board of Directors, the Board of Directors shall have the following specific duties:

1. To prepare the estimated cost of expenses for the Association during the year; to render a certificate of assessment to each Member.
2. Keep accurate records including vouchers authorizing payments.
3. Have such records and vouchers available for an examination by the Members at convenient hours on weekdays, which records will show the assessment, the payments, the dates of payments, and the balance for each Member.
4. Render a written report to all Members summarizing such receipts and expenditures at least once annually.
5. Keep on file in the office of the Board of Directors true copies of the floor plans, Declaration, By-Laws and Rules and Regulations, which shall be available for inspection at convenient hours of weekdays by persons having an interest therein.
6. Procure fire, liability and any other insurance that the Board in its discretion deems necessary in the best interests of the Association. The premium for such insurance shall be deemed a common expense.
7. Determine the amounts of fire and casualty insurance that each Member must carry on his Home, and what provisos the Board may deem necessary for the best interests of the Association. In the event a Member does not comply with the Board's demand regarding said insurance, the Board shall have the right to place said insurance and charge the said Member with the premium thereof.
8. In the event the Member does not comply with the requirements set forth in Paragraph 7, above, the Board will have the right to hold the Member violating same responsible for any damages which the Association may suffer by virtue of such non-compliance.

ARTICLE IX OFFICERS

Section 1. Elected Officers. The officers of the Association shall be chosen by the Board of Directors and shall be a President, a Vice-President, a Secretary and a Treasurer. The Board of Directors may also choose one or more Assistant Secretaries and Assistant Treasurers and such other officers as in their judgment may be necessary. All officers must be either members of the Board of Directors, Members of the Association, or lessees or occupants entitled to the use of the Common Property in lieu of the Member renting or permitting them to occupy the Home in which they reside. Two or more offices may be held by the same person.

Section 2. Elections. The Board of Directors, at its first meeting after each annual meeting of Association Members, shall elect a President, a Vice-President, a Secretary and a Treasurer. Only the President must be a member of the Board.

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

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

Section 5. The President. The President shall be the chief executive officer of the Association; he shall preside at all meetings of the Association Members and the Board of Directors, shall be an ex-officio member of all standing committees, shall have general and active management of the business of the Association, shall see that all orders and resolutions of the Board are carried into effect and shall have such other powers and duties as are usually vested in the office of President of a corporation organized under the Not-for-Profit Corporation Law of the State of New York.

Section 6. The Vice-President. The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act and shall have such other powers and duties as are usually vested in the office of Vice-President of a corporation organized under the Not-for-Profit Corporation Law of the State of New York.

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

Section 8. The Treasurer. The Treasurer shall have the custody of the Association funds and securities and shall keep full and accurate chronological accounts of receipts and disbursements in books belonging to the Association including the vouchers for such disbursements, and shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors. These duties of Treasurer may also be exercised by the managing agent, if any.

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

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

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

ARTICLE X NOTICES

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

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

ARTICLE XI ASSESSMENTS AND FINANCES

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Member has covenanted to pay to the Association all annual and special assessments made by the Board of Directors upon his Home. Such assessments, together with interest, costs and reasonable attorneys' fees are both a personal obligation of the Members and a charge and a continuing lien on any non-paying Member's Home. Under no circumstances may a Member avoid liability for the payment of such assessments by refraining from using the Common Property, by abandoning his Home, or by any other means.

Section 2. Use of Assessment Proceeds. The proceeds of the Association Assessments shall be used to promote the recreation, enjoyment, health, safety and welfare of the Members and other residents of the Property as a community and in particular to maintain and operate the Common Property, including without limiting the foregoing, the payment of taxes and insurance thereon, the making of repairs, replacements and additions thereto, and paying for the cost of labor, equipment, materials, management and

supervision in connection therewith. The proceeds of any special assessments shall be used only in connection with the Common Property for capital improvements, for the repair of unexpected damage, or for needed replacement or reconstruction.

Section 3. Basis of Assessments. The Board of Directors shall assess the Members in the manner set forth in Section 3 of Article VI of the Declaration.

Section 4. Date of Commencement of Assessments Due Dates. The Board of Directors shall notify each Member of the amount of his annual Association Assessment at least thirty (30) days before the date when the first monthly installment payment of such assessment is due. The amount of the first annual Association Assessment shall be reduced in proportion to the amount of time elapsed in the Association's fiscal year as of the date when the Board of Directors shall send notice of the assessment to the Members.

Section 5. Failure to Pay Assessments; Effect, Remedies of the Association. Any assessments of whatever kind not paid by the thirtieth day after its due date shall be in default and shall bear interest from the due date at the highest rate permitted by law. The Association may institute an action at law to recover from the Member or former Member personally obligated to pay any such assessment, or to foreclose the lien against the Home involved. In the event a judgment is obtained, such judgment shall include interest on the assessment as above provided, attorneys' fees together with the costs of the action.

Section 6. Subordination of the Lien to Mortgages. The lien of the assessments upon any Member's Home shall be subordinated to the lien of any Institutional First Mortgage. When any Home is sold or transferred pursuant to the foreclosure of such mortgage, or any proceeding in lieu thereof, the lien of all assessments whose payments become due after the execution of such mortgage but before such sale or transfer shall be extinguished. No sale or transfer of any other kind shall affect the assessment lien. All assessments whose payments become due after any foreclosure sale or transfer shall continue to be a lien as provided for in the Declaration. Assessments upon a Home whose lien has been extinguished pursuant to this Section shall continue to be the personal obligation of the Member or former Member who was the owner of the Home at the time the assessment fell due.

Section 7. Checks. All checks or demands for money and notes of the Association shall be signed by the President and Treasurer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 8. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account", into which shall be deposited the operating portion of all monthly installments of the Association Assessment and all special assessments as fixed and determined for all Members. Disbursements from said account shall be for the general needs of the operation including, but not limited to, wages; repairs, betterments, maintenance and other operating expenses of the community and recreational facilities.

Section 9. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes.

Section 10. Limitation on Expenditures. So long as the Class B Member owns at least 25% of the Homes the Association may not, without the Class B Member's prior written consent, take any action to (a) increase the level of services over those provided for in the prior year's operating budget; (b) establish additional reserve funds; (c) borrow money on behalf of the Association; or (d) hire additional employees (except to fill existing staff vacancies) if the resulting cumulative financial cost to the Association in any year, inclusive of any resulting deficiency or liability, would exceed 20% of the Association's prior year's operating budget. Notwithstanding the foregoing the Class B Member will not withhold its consent to any expenditures which are required to comply with applicable laws or regulations, to remedy any notice of violation, or to remedy any work order of the Association's insurer. In addition no mortgage liens may be placed upon the common Property without the Class B Member's prior written consent so long as it owns one or more Homes.

ARTICLE XII INSURANCE

The Board of Directors shall be required to obtain and maintain, to the extent obtainable, the following insurance: fire insurance with extended coverage, water damage, vandalism and malicious mischief endorsements, insuring all of the Homes in Beechwood Estates (but not including furniture, furnishings or other personal property supplied or installed by Home Owners), together with all

heating, air-conditioning and other service machinery, contained therein, covering the interest of the Board of Directors and all Home Owners and their mortgagees, as interest may appear, in an amount equal to the full replacement value of all of the Homes. Each of such policies shall contain a New York standard mortgagee clause in favor of each mortgagee of a Home which shall provide that the loss, if any, thereunder shall be payable to such mortgagee as its interest may appear, subject, however, to the loss payment provisions in favor of the Board of Directors and the Insurance Trustee hereinafter set forth; and such other insurance as the Board of Directors may determine. All such policies shall provide that adjustment of loss shall be made by the Board of Directors with the approval of the Insurance Trustee, and that the net proceeds thereof, if \$40,000.00 or less, shall be payable to the Board of Directors, and if more than \$40,000.00 shall be payable to the Insurance Trustee.

The casualty insurance and property damage will commence with the closing of title to the first Home in an amount as required by the mortgagee of such Home and such amount will be increased upon the closing of title to all Homes and until the first meeting of the Board of Directors following the first Home Owners' meeting, such amount shall be at least in the sum of \$1,875,000.00.

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

The Board of Directors shall also maintain public liability insurance, to the extent obtainable, covering each member of the Board of Directors, each Association Member, lessee and occupant, and the managing agent, if any, against liability for any negligent act of commission or omission attributable to them which occur on or in the Common Property. Such public liability insurance coverage shall be in at least the minimum amount of \$500,000.00 with a limit of \$300,000.00 per person, covering all claims for bodily injury or property damage arising out of any one occurrence. To the extent obtainable, the Board of Directors shall also obtain the following insurance: (a) fire insurance with extended coverage, water damage, vandalism and malicious mischief endorsements, insuring the facilities on the Common Property, in an amount equal to their full replacement values, (b) workmen's compensation insurance and (c) Officers and Directors liability insurance. All insurance premiums for such coverage shall be paid for by the Association.

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

A New York Bank or Trust Company shall be the Insurance Trustee unless and until it shall be replaced by a bank or trust company, located in the State of New York, designated by the Board of Directors and shall constitute a common expense of the Association. In the event the Insurance Trustee resigns or fails to qualify, the Board of Directors shall designate a new Insurance Trustee which shall be a bank or trust company located in the State of New York.

In the event of damage to or destruction of a Home or Homes as a result of fire or other casualty (unless 75% or more of the Homes are destroyed or substantially damaged and 75% or more of the Home Owners agree not to proceed with repair or restoration), the Board of Directors shall arrange for the prompt repair and restoration of the Homes (including any damaged Homes, and any kitchen or bathroom fixtures initially installed therein by the Developer, any heating, air-conditioning or other service machinery which is covered by insurance but not including any wall, ceiling or door decorations or coverings or other furniture, furnishings, fixtures or equipment installed by Home Owners

in the Homes), and the Board of Directors or the Insurance Trustee, as the case may be, shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration in appropriate progress payments. Any cost of such repair and restoration in excess of the insurance proceeds shall constitute a common expense and the Board of Directors may assess all the Home Owners for such deficit as part of the Association Dues.

If 75% or more of the Homes are destroyed or substantially damaged and 75% or more of the Home Owners agree not to rebuild or repair any of the Homes, the net proceeds of the insurance policies (or if there shall have been a repair or restoration pursuant to the paragraph of this Article, and the amount of insurance proceeds shall have exceeded the cost of such repair or restoration then the excess of such insurance proceeds) shall be divided by the Board of Directors or the Insurance Trustee, as the case may be, among all the Home Owners equally, after first paying out of the share of each Home Owner the amount of any unpaid liens on his Home, in the order of the priority of such liens.

ARTICLE XIII AMENDMENTS

These By-Laws may be altered, amended or added to at any duly called meeting of Association Members, provided: (1) that the notice of the meeting shall contain a full statement of the proposed amendment and (2) that the amendment shall be approved by vote of seventy-five (75%) percent of the Members. No amendment, however, shall affect or impair the validity or priority of the Members' interests or the interests of holders of a mortgage encumbering a Member's Home.

Notwithstanding the foregoing, these By-Laws may not be amended to increase the number of Directors, nor may any provision of these By-Laws which is concerned or deals with the rights of the Class B Member, including without limitation, its right to appoint Directors and to veto expenditures, be amended or modified without the prior written consent of the Class B Member.

ARTICLE XIV SELLING, LEASING, MORTGAGING AND GIFTS OF HOMES

Section 1. Selling, Leasing and Mortgaging Homes. Any Home may be conveyed or leased by a Member free of any restrictions except that no Member shall convey, mortgage,

pledge, hypothecate, sell or lease his Home unless and until all unpaid Association expenses assessed against the Home shall have been paid as directed by the Board of Directors. Such unpaid Association expenses, however, may be paid out of the proceeds from the sale of a Home, or by the Grantee. Any sale or lease of a Home in violation of this section shall be voidable at the election of the Board of Directors. Upon the written request of a Member or his mortgagee, the Board or its designee shall furnish a written statement of the unpaid charges due from such Member which shall be conclusive evidence of the payment of amounts assessed prior to the date of the statement but unlisted thereon. A reasonable charge may be made by the Board for the issuance of such statements.

The provisions of this section shall not apply to the acquisition of a Home by a mortgagee who shall acquire title to such Home by foreclosure of an Institutional First Mortgage or by deed in lieu of foreclosure of an Institutional First Mortgage. In such an event the unpaid assessments against the Home which were assessed and became due prior to the acquisition of title to such Home by such mortgagee shall be deemed waived by the Association as a common expense. Such provisions shall, however, apply to any assessments which are assessed and become due after the acquisition of title to such Home by the mortgagee and to any purchaser from such mortgagee.

No mortgage on a Home may provide that the mortgage holder has the right to apply the proceeds of any casualty insurance policy on the Home to the Homeowner's mortgage indebtedness.

Whenever the term "Home" is referred to in this Section, it shall include the Home, the Member's interest in the Association and the Member's interest in any Homes acquired by the Association.

Section 2. Gifts, etc. Any Member may convey or transfer his Home by gift during his lifetime or devise his Home by will or pass the same by intestacy without restrictions, however, the recipient of said Home shall be responsible for all unpaid assessments which are due or overdue.

ARTICLE XV

GENERAL PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Association shall be fixed by resolution of the Board of Directors.

Section 2. Seal. The Association seal shall have inscribed thereon the name of the Association and the year of its incorporation under the laws of the State of New York. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

Section 3. Architectural Control. No building, fence, wall or other structure, or change in landscaping, shall be commenced, erected or maintained upon The Subject Property, nor shall any exterior addition to or change or alteration thereto be made until the plans and specifications showing the nature, kind, shape, height, materials, color and locations of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee composed of three or more representatives appointed by the Board. In the event the Board, or its designated committee fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Section will be deemed to have been duly complied with.

The foregoing shall not be applicable to the construction of a deck on any Lot by the Developer at the request of the Purchaser thereof.

Section 4. Examination of Books and Records. Each Member, or their respective representatives, shall be entitled to a reasonable examination of the books and records of the Association at any time upon reasonable notice to its Board of Directors. The Declaration, Certificate of Incorporation and the By-Laws of the Association shall be available for inspection by any Member at the principal office of the Association.

Section 5. Construction. Whenever the masculine singular form of the pronoun is used in these By-Laws, it shall be construed to mean the masculine, feminine or neuter, singular or plural, whenever the context so required.

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

Section 6. Severability. Should any of the covenants, terms or provisions herein imposed be void or be or become unenforceable at law or in equity, the remaining provisions of these By-Laws shall, nevertheless, be and remain in full force and effect.