

**CODE OF REGULATIONS**  
**PALADIN CLUB XI CONDOMINIUM**

**Article 1 Application** This Code of Regulations (Code) shall govern the administration of the property and other affairs of Paladin Club XI Condominium (Condominium). The property (Property) was submitted to the provisions of the Delaware Unit Property Act (25 Del. Code, Chapter 22) by the (1) Declaration for Paladin Club XI Condominium recorded in the Office of the Recorder of Deeds of New Castle County, Delaware (the place of recording of all documents referred to as recorded or to be recorded) as instrument number 20010522 0038992 ("the Declaration" below) and (2) the Declaration Plan recorded as instrument number 20010522 0038992. This Code binds all parties who use any Common Element, or own or use a Unit, of the Property. The definitions of words and phrases in the Declaration shall apply to this Code.

**Article 2 Meetings of Owners** A. **Annual Meetings**. There shall be an annual meeting of Owners held in November of each year after the Declarant has sold seventy-five percent of the Units in the Property. The Declarant shall give Owners thirty days written notice of the first annual meeting. The Owners shall elect Council members and transact such other business as may properly come before annual meetings. The persons appointed by the Declarant shall resign as Council members upon the election of Council members at the first annual meeting.

B. **Place of Meetings**. Annual meetings of Owners shall be held at the Property or at such other place as may be designated by the Council.

C. **Special Meetings**. The President of the Council shall call a special meeting of Owners if directed by resolution of the Council or promptly after receipt of a petition signed by Owners with collective Proportionate Interest of thirty-five percent, but such a meeting may be called prior to the first annual meeting of Owners only upon a resolution of the Council. A notice of special meeting shall state the time, place and purpose of the meeting. No business shall be transacted at a special meeting that is not stated in the notice.

D. **Notice of Meetings**. Except as provided in the Declaration, The Secretary of the Council shall give to each Owner a written notice of a meeting of Owners at least ten (10) but not more than twenty (20) days prior to the meeting, stating its purpose and the time and place where it is to be held.

E. **Quorum**. Except as otherwise provided in the Code, Owners representing a majority of all votes of all Owners, present in person or by written proxy, shall constitute a quorum at all meetings of Owners. Without a quorum present, Owners present at a meeting, in person or by proxy, may, without a quorum, adjourn the meeting to another time no earlier than forty-eight hours from the time stated in notice of meeting.

F. **Conduct of Meetings**. Roberts Rules of Order shall govern the conduct of all meetings of Owners when not in conflict with the Condominium Documents or the Unit Property Act.

**Article 3 Council** A. **Members**. The Council shall consist of three natural persons who, except for members appointed by Declarant, are Owners. Council members not appointed by the Declarant shall be elected by a majority of the votes cast, in person or by proxy, and shall serve until their respective successors shall have been elected. The terms Council members shall be one year or of such greater length as the Council shall fix by resolution.

B. **Powers and Duties**. The Council shall: (1) administer the Property and the affairs of the

Condominium for the benefit of the Owners; (2) have full responsibility for the Property, funds and other property, (3) cause the keeping of full and accurate financial records and books of account showing all receipts and disbursements; (4) cause the preparation of all periodic audits and reports to the Owners; (5) provide for the safekeeping all monies and other valuable effects of the Condominium; (6) designate depositories of the funds and the property; (6) assure the integrity of the affairs, books of account, reports, property, and minutes of proceedings; (7) have full control of making any addition to the Property; (8) carry out the provisions of the Act and the Condominium Documents.

C. Removal of Council Members. At any annual or special meeting of Owners, any member of the Council may be removed with or without cause by a majority of all votes of all Owners. Any member of the Council whose removal has been proposed by the Unit Owners shall be given at least ten (10) days notice of the meeting, its purpose, and an opportunity to be heard at the meeting.

D. Vacancies. Except upon removal of a Council member by a vote of the Owners, Council vacancies shall be filled by the remaining members of the Council. A member of the Council filling a vacancy shall serve for the remainder of the term of the member replaced.

E. Meetings. The Council shall meet to organize and elect officers within ten (10) days of each annual meeting of Owners, and shall adopt dates on which regular meetings of the Council shall be held, without notice, until the next annual meeting of Owners. Special meetings of the Council may be called by the Vice President by a written notice stating the time, place and specific business of the meeting, or by the Vice President or Secretary in like manner on the written request of at least two (2) Council members. Such notice shall be given to every Council member, and shall be mailed at least five days in advance of the meeting date, or given in person at least three days in advance. Any Council member may waive notice of a meeting in a writing signed at any time, or by attending the meeting. In addition to the specific business stated in a notice, any business may be transacted at a meeting with all members present and which all agree upon. A majority of Council members shall constitute a quorum for the transaction of business, and the votes of a majority of the members present at a meeting with a quorum present shall constitute the decision of the Council.

F. Bonds and Insurance. The Council may require fidelity bonds for some or all officers, employees and agents of the Condominium, and the premiums shall be a Common Expense. The Council may obtain Director and Officer Liability Insurance and the premiums shall be a Common Expense.

G. Compensation. No member of the Council shall receive any compensation for such service.

H. Liability of the Members of the Council. The members of the Council shall not be liable to the Owners, lien holders, or any other party for any mistake, any mistake of judgement, for negligence, or any other cause not improper. The Unit Owners shall indemnify and hold harmless each member of the Council from and against all liability arising out of proper and lawful contracts made by the Council on behalf of the Owners. Owners shall indemnify every Council member, officer, employee, or agent against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement, in connection with any action arising out of the proper and lawful performance of duties. Improper for the purposes of this paragraph shall mean individual willful misconduct, gross negligence, bad faith, intentional violation of the Condominium Documents or Act, or opposing the known best interests of the Owners.

Article 4. Officers The Council shall have a President, a Vice President/Treasurer, and a Secretary. Officers shall be elected by majority vote of the Council. An officer may be removed from

office by a vote of a majority of Council members, with or without cause. No officer shall receive any compensation for such service.

Article 5. Operations of the Property

A. Fiscal year and Budget. The fiscal year of the Condominium shall be the calendar year. On or before the first day of each December, the Council shall adopt a budget containing an estimate of the total amount necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements. Such budget shall also include such reasonable amounts as the Council considers necessary to provide working capital for the Property, a general operating reserve, and reserves for contingencies and replacements. At least ten days before the annual meeting, the Council shall send to each Owner a copy of the budget in a reasonably itemized form, together with a brief but informative interim report on the receipts, expenses and reserves during the then-current year.

B. Assessments. The amount estimated in the budget for operation of the Property shall be assessed against the Units according to each Unit's Proportionate Interest. On or before the first day of each month covered by the budget, each Unit Owner shall pay one-twelfth (1/12th) of the assessment. As soon as practicable after the end of a fiscal year, the Council shall supply to all Owners a report on the budget, receipts, expenses and reserves during that fiscal year. Receipts in excess of expenses and reserves shall either reduce assessments for the next fiscal year, or be applied in such other manner as the council shall determine in its sole discretion. The Council shall give Owners prompt and advance notice of any unbudgeted excess of disbursements over receipts, the amount of contingency or other reserves available to apply against such excess, and the Council's proposal for funding and assessing any additional unbudgeted excess. The Council shall provide all Owners with a written report stating in reasonable detail the amounts and reasons for any special assessment, and stating whether the assessment shall be paid in a lump sum or in installments. Except as otherwise provided, all sums collected by assessments or otherwise may be commingled. The Council may, but need not, offer a discount on assessments paid in advance, for such number of installments and for such amount of discount as the Council may from time to time determine.

C. Declarant's Units. Notwithstanding any other provision to the contrary, no lawsuit, suspension of utilities or other action shall be taken by or on behalf of the Council or any Unit Owner occupant, mortgagee, or other lienor to collect any assessment made against any Unit owned by Declarant or its successors or assigns for a period when the Unit was not occupied as a residence pursuant to a valid certificate of occupancy, except for expenditures actually made for fuel, utility service, insurance premium, trash disposal, maintenance or repair of the Unit. Declarant shall not convey any Unit on which amounts advanced by the Council have not been reimbursed by Declarant.

D. Statement of Unpaid Assessments. The Council shall promptly provide to an Owner, a Mortgagee or a purchaser under contract of a Unit who makes a request in writing, a statement of all unpaid assessments on the respective Unit. The Unit shall be free of any unpaid assessments in excess of the amount set forth in the statement.

E. Rules and Regulations. Rules and Regulations shall be effective when a copy is provided to every Owner.

F. Limited Common Elements. The Council shall provide for maintaining and replacing as necessary all Limited Common Elements as a part of the Common Expense.

G. Audited Statements. The Council shall provide an audited annual statement of the financial affairs of the Council when the Property contains fifty or more Units.

**Article 6. Insurance. A. Property Insurance Coverage.** The Council shall maintain insurance on buildings and other parts of the common elements against all risks of direct physical loss commonly insured against ("Property Insurance" below). The amount of the insurance shall be not less than 80% of the cost of replacement of the covered property with a deductible not to exceed one thousand dollars. Notwithstanding any other provision of the Condominium Documents describing the boundaries and ownership of Units and Common Elements, the Property Insurance shall be on such policy form as is generally available to condominium councils in Delaware even if such form includes coverage of all or some parts of Units as well as Common Elements. The Council may, but need not, purchase Property Insurance covering improvements and betterments installed by Unit Owners and it shall give notice to all Unit Owners of any purchase of Property Insurance providing coverage of Owner improvements and betterments. The Council shall be deemed to have an insurable interest in every Unit because prompt, efficient, appropriate and conforming restoration of all damaged parts of all buildings in the Property, including Units, is in the best interest of the Condominium as a whole. The premium on Property Insurance shall be a Common Expense. Proceeds of claims paid on Property Insurance shall be received, held and disbursed for the restoration (by replacement or otherwise) of damaged property covered by the insurance. Unit Owners shall be insured persons under Property Insurance policies as their interest may appear. No Unit Owner, holder of a lien against or security interest in a Unit or other person shall receive any proceeds of claims paid on Property Insurance until all covered property has been restored or the condominium terminated. The cost of restoration in excess of insurance proceeds shall be a Common Expense, except that some or all of the cost of any restoration of one or more of the Units in excess of insurance proceeds may be assessed to the Owners of the restored Units as the Council shall determine to be fair and equitable taking into account any deductible amounts and any other factors the Council deems appropriate.

**B. Liability Insurance.** The Council shall maintain liability insurance, including medical-payments insurance, in an amount, and with the deductible, the Council determines appropriate covering claims for death, personal-injury or property damage arising out of occurrences commonly insured against and the use, ownership or maintenance of the Common Elements ("Liability Insurance" below). The Liability Insurance policy shall show that Unit Owners are insured persons to the extent of their interest in the Common Elements.

**C. Other Insurance Conditions.** Policies of insurance shall provide that the insurer waives all rights of subrogation and substitution against a Unit owner and members of the household of a Unit owner. Upon any claim made, insurance maintained by the Council shall have priority of coverage over insurance maintained by a Unit owner covering the same risk. Insurance maintained by the Council shall not prevent a Unit owner from obtaining insurance for the Unit owner's benefit. No coverage shall be brought into contribution with insurance coverage purchased by Owners or their mortgagees. No insurance obtained by any Owner shall decrease the amount the Council may realize under any insurance policy of the Council or cause any insurance coverage maintained by the Council to be brought into contribution with insurance obtained by the Owner. All Owner policies shall contain waivers of subrogation, and every Owner shall promptly file a copy of every policy with the Council. Council policies may not be canceled or substantially modified without at least thirty (30) days prior written notice to any and all insured parties. The Council shall be free of any liability for decisions made as to amount and types of insurance coverage based on the advice given by any advisor selected by the Council with reasonable care as to qualifications.

**D. Insurance Trustee.** The Council may designate any bank, trust company, savings and loan association, building loan association, insurance company, or any institutional lender as Insurance Trustee to hold proceeds of insurance and all policies and endorsements, and to acknowledge that the policies and any proceeds thereof will be held in accordance with the terms of this Code. The

Insurance Trustee shall not be liable for payment of premiums, policy renewal, the sufficiency of coverage, the form or content of the policies, the correctness of any amounts received as proceeds, nor for the failure to collect proceeds. The sole duty of the Insurance Trustee shall be to receive, hold and disburse insurance proceeds for the purposes of the Code. The Council may pay a reasonable fee to the Insurance Trustee.

E. Council as Agent. A party accepting a deed, mortgage or other instrument providing title, a mortgage lien, a security interest or other interest in the Property, irrevocably appoints the Council as agent to adjust all claims under insurance policies purchased by the Council, to receive proceeds, and to execute and deliver releases upon the payment.

F. Reconstruction Funds. The net proceeds of insurance, together with any funds, if any, collected by assessment, shall constitute a reconstruction fund. The reconstruction fund shall be paid by the Council or Insurance Trustee in appropriate progress payments, to those performing the work or supplying materials for reconstruction. The first monies disbursed for reconstruction shall be from insurance proceeds. Any balance in the reconstruction fund after the payment of all costs of reconstruction shall be distributed to the fund beneficiaries, as their interests may appear. The Insurance Trustee shall be entitled to rely upon written instructions for payment of the reconstruction funds signed by two officers of the Council.

Article 7. Unpaid Assessments No Owner other than Declarant shall convey, mortgage, hypothecate, sell, lease, give or devise a Unit or any interest in a Unit while any assessment against the Unit remains unpaid.

Article 8. Mortgages The Owner of a mortgaged Unit shall notify the Council of the name and address of the mortgagee and the Council shall report any unpaid assessments on a Unit to any such mortgagee promptly upon request. The Council shall provide a copy of an audited statement for the next year preceding a written request for the statement received from any holder, insurer or guarantor of a loan secured by a lien of first mortgage on a Unit. Any such holder, insurer or guarantor shall have the right, at its own expense, to have an audited statement prepared for any year for which the Council does not provide such a statement.

Article 9. Additions to the Property. Subject to the rights of the Declarant set forth in Article 7 of the Declaration, all additions to the Property shall be undertaken by the Council in compliance with the Condominium Documents and the Act.

Article 10. Compliance and Default A. No Waiver of Rights. The failure of the Council to act with respect to any violation shall not constitute a waiver, and its exercise of any one or more remedies shall not be deemed an election of remedies.

B. Interest, Late Fees, and Cost of Collection. Any assessment or assessment installment not paid when due shall be increased by the following: interest on amounts in arrears at the highest rate permitted by law; a late fee in such amount as the Council shall fix from time to time to reasonably cover extra accounting and other expense; any costs, fees and expenses incurred in collection or in foreclosing any lien.

C. Abatement and Injunction of Violations by Unit Owners. The violation of any rule or regulation, or any provision of the Condominium Documents or the Act, shall give the Council, in addition to any other right, the right to: (a) enter a Unit and summarily to remove or abate the violation at the expense of the Owner of the Unit, and the Council shall not be guilty of trespass; (b) seek appropriate remedy in law or in equity and have full reimbursement of all fees and expenses on

Article 11 Miscellaneous. A. Amendments. The Council or the Owners may amend the Code by a majority vote.

B. Notices. All notices, demands, bills, statements or other communications shall be in writing and shall be deemed given if delivered personally or by delivery service or mail service providing proof of delivery. Notice to an Owner shall be delivered to the Unit or such different address as the Owner shall give to the Secretary in writing. Notice to the Council shall be delivered to a member of the Council, to the manager or to an agent of the manager.

C. Construction. Captions are inserted only as a matter of convenience and reference and shall not affect construction of any provision. The Code shall be liberally construed to give the greatest possible to the effect to the plan described in the Condominium Documents.  
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