

RESOLUTION

WHEREAS, Paladin Club condominium community (the "Community") is an exceptional family-oriented community whose owners choose to purchase their home and to live here to enjoy the safe and quality living opportunity offered by the Community;

WHEREAS, the Declaration of Paladin Club XI Condominium (the "Declaration"), the Code of Regulations of Paladin Club XI Condominium (the "Code") and the Rules and Regulations of the Association of Owners of Paladin Club XI Condominium (the "Association"), which bind all owners, their family, friends, guests and invitees, were promulgated to ensure that all residents and their visitors enjoy their experience while living in or visiting the Community;

WHEREAS the Council of the Association is concerned about the increasing number of rental units in the Community and how this money-making activity by certain owners (i) imposes undue and uncompensated burdens and costs upon the Community and the Association and (ii) impacts the availability of all owners, including such owners' future buyers, to obtain mortgages, to refinance or to obtain home equity lines of credit;

WHEREAS, under guidelines for certain credit applications, specifically loans issued pursuant to the Federal Housing Administration guidelines, no less than 50 percent of the units in a condominium must be owner occupied to permit a loan to be issued to a borrower on a unit in such condominium and backed by the FHA;

WHEREAS, if such typical FHA approved loans cannot be granted, the pool of buyers for units in the Condominium will be severely limited, specifically to those who only can pay all cash or can go to a non-traditional lender (one that charges substantially more than a lender who grants FHA-backed loans);

WHEREAS, the end result of a credit limitation resulting from too many rental units is a downward price pressure on the value of all units in the Community;

WHEREAS, limitations on the number of rental units involves protecting the value of the Paladin Club XI Condominium (the "Condominium") and each of the units owned by the Unit Owners in that too many renters in a condominium community depresses the value of all units in the Condominium by driving off potential interested buyers who will not purchase in a condominium that has excessive number of units that are being rented;

WHEREAS, the Council believes that, as a practical matter, owner occupied units better preserve the substantial investment that all owners have made in the Condominium;

WHEREAS, the Council further believes that live-in owners, because of their investment and their residency, better protect the Units and the Common Elements, and that this hands-on presence and involvement in the daily comings and goings of the residence community lowers the cost of upkeep to each of the owners in terms of maintenance, repair, oversight, management and use of the common expenses such as water and sewer;

WHEREAS, the Council has considered the number of units that are currently being rented and has considered the marketplace, and has determined that the number of units to be rented should be no more than thirty-five (35) units at any given time;

WHEREAS, to prevent any concerns with owners who are currently renting, this number takes into account all of the owners who are currently renting their units and ensures that such owners shall each be permitted to continue to rent until such time as that unit becomes owner occupied or sold with the result that no one currently renting his, her or its unit is affected by the limitation set forth in herein;

WHEREAS, owners wishing to rent shall be added to a waiting list which the Council is, under the Rules and Regulations as proposed, mandated to maintain, and such owners shall be selected from the list based upon the order in which they are added to the list;

WHEREAS, the Council of the Association, and its Managing Agent, have been spending an increasing amount of time, money and resources of the Condominium on the activities of renters in the Community;

WHEREAS, the Council of the Association recognizes that rentals of Units is a money-making business activity of the Unit Owner, and such Owner obtains income from that rental activity;

WHEREAS, the Association spends more of all Unit Owners' assessment money on unmetered services, like water and sewer, when a Unit Owner rents his, her or its Unit;

WHEREAS, after almost a year of consideration and study, discussion and review, which included a review by the Condominium's legal counsel, the Council of the Association has concluded that it is desirable to adopt limitations set forth herein on the number of rental units in the Community and to adopt certain additional Rules and Regulations on renting in the Community;

WHEREAS, the Council of the Association has concluded that the proposed Rules and Regulations regarding rental of units in the Community is essential to prevent imminent, irreparable harm to the Association's Property, is necessary to maintain the ongoing viability and value of the Association to all of the Unit Owners' units, is important to prevent a waste of the limited resources of the Association and the Owners of Units and is required to ensure that the Community remains a great place to live and raise a family; and

WHEREAS, the Council is permitted to adopt Rules and Regulations, pursuant to the Declaration and Delaware law, including the provisions of the Delaware Unit Property Act and the Delaware Uniform Common Interest Ownership Act.

NOW THEREFORE, BE IT RESOLVED THAT the Council of the Association adopts the following additional Rules and Regulations to the previously adopted Rules and Regulations.

"RENTAL RULES

1. Out of the total number of Units in the Paladin Club XI Condominium (the "Condominium") which are subject to the Declaration of Paladin Club XI Condominium (the "Declaration"), there shall be permitted to be leased at any given time no more than a total of thirty-five (35) Units. If the maximum number of Units are being leased, **no additional Units shall be leased in the Condominium.** The Council of the Association of Owners of Paladin Club XI Condominium (the "Association") shall maintain a list of Unit Owners who wish to rent his, her or its Unit, kept in order of the date of notification to the Council, and such list shall be used to offer the next available Unit Owner on the list the opportunity to rent such Owner's Unit should the number of Unit Owners renting Units fall below the maximum number.

(a) All current Unit Owners who are currently leasing their Unit, or are actively seeking to lease the Unit through a third-party leasing agency as of the date of the adoption of these Rental Rules, may continue to lease (or seek to lease) the Unit until such time as the Unit no longer is rented and becomes Owner (or family member) occupied, is sold, transferred or conveyed or the Owner fails, within ten (10) days of the date of mailing of written notice, to comply with the obligations imposed by the Rental Rules.

(b) An Owner from the list maintained by the Association, who is offered the next available opportunity to rent and whose Unit is already registered as a rental unit with New Castle County, shall be given five (5) days from the date of notification to determine whether to rent the Unit and give written notice of acceptance, and shall have sixty (60) days to rent the unit, which 60 days runs from the date of the written notice of acceptance. If the Unit is not rented with a signed lease for the Unit and paid deposit by that 60-day cut-off date, the Unit Owner may not rent the Unit, such Unit Owner's name goes to the bottom of the list, and the next Unit Owner on the list shall be given the opportunity to rent.

2. By entering into or having a lease for a Unit in the Condominium, all Owners of Units and any tenant of such Unit acknowledge and agree that:

(a) An administrative fee in the amount of \$1,000.00 per Unit per year shall be paid by the Unit Owner, and shall be due beginning January 1 of each year and shall be considered late after March 31, 2018 (For any new tenancy starting after January 1 of any year (or upon implementation of this Rule), a pro rata portion of the administrative fee shall be paid upon receipt of the first month's rent, and **no** rebate of any portion of the fee will be given for any tenancy ending before the end of any year);

(b) Within five (5) days of the execution of the lease for the Unit, a copy of the lease and the signed certification of the tenant(s) stating that copies of the Declaration, the Code of Regulations and the Rules and Regulations of the Association (collectively, the "Rules") were received shall be delivered to the Council of the Association;

(c) The Unit Owner shall register, and shall maintain a current registration of, the rental unit with New Castle County;

(d) These Rental Rules, including the limitation set forth above, are applicable to and binding upon the owners of such Unit and any tenant, family member, guest or permitted occupant of such tenant (collectively, the "Tenant");

(e) All obligations of the Unit owners under the Rules are applicable to and binding upon the Tenant of such Unit; and

(f) The Association has the independent right to enforce the Rules and these Rental Rules, the terms of the lease agreement and/or the Delaware Residential Landlord Tenant Code (the "Code") as against the actual tenant(s) of the Unit and/or the Owners of such Unit.

3. The Tenant of the Unit acknowledges and agrees that the terms of these Rental Rules are incorporated into every lease agreement for a Unit in the Condominium, whether such lease agreement is new or is continuing, and whether such lease agreement conforms to the obligations of these Rental Rules.

4. If any common expense assessment, special assessment, fee, cost or other charge (the "Assessment"), which has been assessed by the Association is not fully paid by a Unit Owner for a period of sixty (60) days after the due date for such Assessment, then the Unit shall not be subject to rentals. The Unit Owner, upon written notice by the Association, shall not rent the Unit. If the Unit is nonetheless subject to a tenancy, whether new or continuing, in violation of this Rule, then the Association, upon written notice to the Unit Owner and the Tenant of the Unit, may take any or all of the following non-exclusive actions:

(a) Impose a license fee for use of the Condominium Property equal to the amount of the rent being paid by the Tenant to be treated as an additional assessment under these Rules; or

(b) Direct that the Tenant of the Unit, or the rental agent, remit all rental payments due under the rental agreement directly to the Association in accordance with the written notification and instructions to that effect delivered to Tenant or the rental agent; or

(c) Restrict the privilege of the Tenant to use any portion or all of the Condominium Property; or

(d) Ban the Tenant from the grounds of the Condominium (Such Tenant, if such Tenant uses any part of the Condominium Property, shall be deemed a trespasser and subject to criminal arrest); or

(e) Immediately terminate the lease, and seek summary possession of the leased Unit.

5. Following the adoption of this Rule, if the Unit Owner fails to supply a copy of the lease agreement to the Association or a copy of the signed certification of the Tenant required by the Rules within five (5) days of the execution of the lease for the Unit, if the Unit Owner fails to register or fails to maintain a current registration of the rental unit with New Castle

County or if the Unit Owner leases in violation of the limitations and obligations set forth in Rental Rule No. 1, then the Unit shall not be subject to rentals. The Unit Owner, upon written notice by the Association, shall not rent the Unit. If the Unit is nonetheless subject to a tenancy, whether new or continuing, in violation of this Rule, then the Association, upon written notice to the Unit Owner and the Tenant(s) of the Unit, may take any or all of the following non-exclusive actions:

(a) Impose a license fee for use of the Condominium Property equal to the amount of the rent being paid by the Tenant to be treated as an additional assessment under these Rules; or

(b) Direct that the Tenant of the Unit, or the rental agent, remit all rental payments due under the rental agreement directly to the Association in accordance with the written notification and instructions to that effect delivered to Tenant or the rental agent; or

(c) Restrict the privilege of the Tenant to use any portion or all of the Condominium Property; or

(d) Ban the Tenant from the grounds of the Condominium (Such Tenant, if such Tenant uses any part of the Condominium Property, shall be deemed a trespasser and subject to criminal arrest); or

(e) Immediately terminate the lease, and seek summary possession of the leased Unit.

6. If the Tenant is directed to pay fees or payments to the Association, such amounts become a debt owed by such Tenant to the Association, and such Tenant is personally liable to the Association for the amounts required to be paid to the Association. All payments shall continue to be made as directed in the notification until such time as Tenant is notified to the contrary by the Association. The Tenant of the Unit shall, within five (5) days of receipt of such written notification, deliver to the Association written confirmation that the rent and other fees and payments shall be remitted to the Association.

7. Owners of rented Units shall be personally liable for the failure of a Tenant to comply with all provisions of the Code and the Rules, including the Rental Rules. The Association shall be entitled to assess against such Unit and/or the Unit Owner any and all fees, costs and expenses incurred by the Association in any way concerning these Rental Rules, including attorneys' fees incurred in connection with any action, in law or in equity, by or against the Unit Owner or the Tenant. A Unit Owner shall indemnify, defend and hold harmless the Association against any claim, demand, action, suit or proceeding brought by such Unit Owner or any Tenant relating to the tenancy, including, without limitation, against any attorneys' fees and any loss or damage sustained or incurred by the Association.

8. Unless an immediate termination of the tenancy is permitted by these Rules or is otherwise permitted by 25 *Del. C.* §5513(b), which shall permit the Association to bring an action for summary possession of the Unit, the violation by the Tenant of any of the provisions

of the Rules, these Rental Rules, the lease agreement or the Code or any direction or action by the Association taken pursuant to these Rental Rules shall constitute a material breach, which, if uncured within seven (7) days following any written notice of the violation, or if repeated following such seven (7) day period, shall entitle either the Association or the Unit Owner to commence a summary proceeding for possession of the Unit. The Tenant of the Unit, by accepting tenancy in the Unit, acknowledges that the Association shall have the independent right to enforce the terms of this paragraph, including the right to seek a monetary judgment against Tenant for non-payment of the amounts required to be paid by the Tenant or to pursue summary possession of the Unit for the Owner of the Unit for violation of any of the provisions of the Rules, the Rental Rules, the lease agreement, the Code or any direction or action by the Association taken pursuant to the Rental Rules.

9. By entering into or having a lease for a Unit located in Condominium, the Tenant of such Unit acknowledges and agrees that the Association has standing under the lease agreement as the landlord for all purposes, including for purposes necessary to enforce the terms of these Rental Rules. Specifically, but not exclusively, the Association may avail itself of the statutory remedies available to a landlord for summary possession of the leased Unit, including those pursuant to 25 *Del. C.* §5502 and 25 *Del. C.* §5513, and, where appropriate, may proceed pursuant to 25 *Del. C.* §5115.”

RESOLUTION

WHEREAS, Council of the Association of Owners of Paladin Club XI Condominium (the "Association") previously adopted Rental Rules to address concerns that Council had with rental and rental activity in the Paladin Club condominium community (the "Community");

WHEREAS, it was the intent of Council that certain activities of Unit Owners, including the permitted use by Owners of their Units by immediate or extended family members for remuneration or reimbursement of expenses, would be considered leasing activities subject to Paragraphs 2 through 8 of the Rental Rules;

WHEREAS, Council now wishes to make it clear that these activities, including the permitted use by Owners of their Units by immediate or extended family members for remuneration or reimbursement of expenses, would be considered leasing activities subject to Paragraphs 2 through 8 of the Rental Rules; and

WHEREAS, the Council is permitted to adopt Rules and Regulations, pursuant to the Declaration and Delaware law, including the provisions of the Delaware Unit Property Act and the Delaware Uniform Common Interest Ownership Act.

NOW THEREFORE, BE IT RESOLVED THAT the Council of the Association adopts the following additional Rules and Regulations to the previously adopted Rules and Regulations.

"ADDITIONAL RENTAL RULES

1. Notwithstanding anything to the contrary contained in the Rental Rules previously adopted by Council of the Association of Owners of Paladin Club XI Condominium, entering into or having a lease, as such phrase is used in the Rental Rules, shall mean (i) the lease or rental of a Unit, (ii) the allowance of the use and occupancy of a Unit by anyone other than the Unit Owner, including a member of the Unit Owner's immediate or extended family, where money or other consideration or remuneration is paid to or for the benefit of the Owner, including but not limited to paying or reimbursing the Owner for assessments, fees, charges, utilities, cable television or internet or paying or reimbursing any other expense for maintaining or using the Unit, (iii) entering into agreements for "lodging," or (iv) the allowance of the use and occupancy of a Unit by anyone other than the Unit Owner as part of an exchange, timeshare, swapping or other similar program, including but not limited to Travel Advantage Network."

RESOLUTION

WHEREAS, Council of the Association of Owners of Paladin Club XI Condominium (the "Association") previously adopted Rental Rules to address concerns that Council had with rental and rental activity in the Paladin Club condominium community (the "Community");

WHEREAS, Council now wishes to reduce further the number of leased units in the Community at any given time;

WHEREAS, the Council is permitted to adopt Rules and Regulations, pursuant to the Declaration and Delaware law, including the provisions of the Delaware Unit Property Act and the Delaware Uniform Common Interest Ownership Act.

NOW THEREFORE, BE IT RESOLVED THAT the Council of the Association adopts the following additional Amendment to the Rental Rules

RESOLVED, Council amends the Rental Rules by deleting the Paragraph enumerated as Number 1, and replacing it with the following:

"1. Out of the total number of Units in the Paladin Club XI Condominium (the "Condominium") which are subject to the Declaration of Paladin Club XI Condominium (the "Declaration"), there shall be permitted to be leased at any given time no more than a total of twenty (20) Units. If the maximum number of Units are being leased, **no additional Units shall be leased in the Condominium.** The Council of the Association of Owners of Paladin Club XI Condominium (the "Association") shall maintain a list of Unit Owners who wish to rent his, her or its Unit, kept in order of the date of notification to the Council, and such list shall be used to offer the next available Unit Owner on the list the opportunity to rent such Owner's Unit should the number of Unit Owners renting Units fall below the maximum number."