

**PUBLIC OFFERING STATEMENT
CARLSON'S RIDGE
EXHIBIT B
BYLAWS**

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BYLAWS
OF
CARLSON'S RIDGE HOMEOWNER'S ASSOCIATION, INC.

ARTICLE I

Introduction

These are the Bylaws of **Carlson's Ridge Homeowner's Association, Inc.** ("Association"). Definitions of terms initially capitalized will be as designated in Article II of the Declaration. Underlined terms are statutory quotations.

ARTICLE II

Executive Board

Section 2.1 - Number and Qualification; Termination of Declarant Control.

- (a) The affairs of the Common Interest Community and the Association will be governed by an Executive Board, which until the termination of the period of Declarant control, will consist of three Persons, and following such date, will consist of five (5) Persons, the majority of whom, excepting the Directors appointed by the Declarant, will be Unit Owners. The number of Directors will be established by vote at the meeting electing the Directors, provided that the resolution setting the number of Directors has been set forth in the Notice of that meeting. The number of Directors will be as determined in the Certificate of Incorporation, as it may be amended from time to time. If any Unit is owned by a partnership or corporation, any officer, partner or employee designated by that Unit Owner to the Association will be eligible to serve as a Director and will be deemed to be a Unit Owner for the purpose of the preceding sentence. The Directors will be elected by the Unit Owners except for those appointed by the Declarant. At any meeting at which board members are to be elected, the Unit Owners may, by resolution, adopt specific procedures for conducting the elections, not inconsistent with these Bylaws or the Corporation Laws of the State of Connecticut.

- (b) The terms of at least one third (1/3) of the Directors will expire annually, as established in a resolution of the members setting terms.
- (c) The provisions of the Declaration will govern appointment of members of the Executive Board during the period of Declarant control.
- (d) The Executive Board will elect the officers. The Directors and officers will take office upon election.
- (e) At any time after Unit Owners, other than the Declarant, are entitled to elect a Director, the Association will call a meeting and give not less than ten nor more than sixty days notice to the Unit Owners for this purpose. Such meeting may be called and the notice given by any Unit Owner if the Association fails to do so.

Section 2.2 - Powers and Duties.

The Executive Board may act in all instances on behalf of the Association, except as provided in the Declaration, the Bylaws, or the Act. A Director shall discharge his duties as a Director, including his duties as a member of a committee (1) in good faith; (2) with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and (3) in a manner he reasonably believes to be in the best interest of the corporation. A Director shall be insulated from liability and indemnified as provided by the Nonstock Corporations Act of the State of Connecticut. In the performance of their duties, the officers and members of the Executive Board are fiduciaries and are subject to the insulation from liability of the State of Connecticut Corporation Laws. The members of the Executive Board are required to exercise the ordinary and reasonable care of Directors of a corporation, subject to the business judgment rule. If appointed by the Declarant, their fiduciary duties and standards of care to Unit Owners are those of a Director of a stock corporation to its shareholders. The Executive Board will have, subject to the limitations contained in this Declaration and the Act, the powers and duties necessary for the administration of the affairs of the Association and of the Common Interest Community that will include, but not be limited to, the following:

- (a) Except as provided in subsection (b) of this section, and subject to the provisions of the Declaration, the Association may:
 - (i) Adopt and amend Bylaws and rules and regulations;

- (ii) Adopt and amend budgets for revenues, expenditures, and reserves and collect assessments for common expenses from Unit Owners;
- (iii) Hire and discharge managing agents and independent contractors;
- (iv) Hire and discharge other employees and agents other than managing agents and independent contractors;
- (v) Institute, defend or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more Unit Owners on matters affecting the Common Interest Community;
- (vi) Make contracts and incur liabilities;
- (vii) Regulate the use, maintenance, repair, replacement and modification of Common Elements;
- (viii) Cause additional improvements to be made as a part of the Common Elements;
- (ix) Acquire, hold, encumber and convey in its own name any right, title or interest to real property or personal property, but Common Elements in a condominium or planned community may be conveyed or subjected to a security interest only pursuant to Section 47-254 of the Act;
- (x) Grant easements, leases, licenses and concessions for no more than one year through or over the Common Elements;
- (xi) Impose and receive any payments, fees or charges for the use, rental or operation of the Common Elements, other than Limited Common Elements described in subsections (2) and (4) of Section 47-221 of the Act, and for services provided to Unit Owners;
- (xii) Impose charges or interest or both for late payment of assessments and, after Notice and Hearing, levy reasonable fines for violations of the Declaration, Bylaws, rules and regulations of the Association;
- (xiii) Impose reasonable charges for the preparation and recordation of amendments to the Declaration, resale certificates required by Section 47-270 of the Act or statements of unpaid assessments;

- (xiv) Provide for the indemnification of its officers and Executive Board and maintain Directors' and officers' liability insurance;
- (xv) Assign its right to future income, including the right to receive common expense assessments, but only to the extent the Declaration expressly so provides under the limitations set forth in the Declaration;
- (xvi) Exercise any other powers conferred by the Declaration or Bylaws;
- (xvii) Exercise all other powers that may be exercised in this state by legal entities of the same type as the Association;
- (xviii) Exercise any other powers necessary and proper for the governance and operation of the Association;
- (xix) Require, by regulation, that disputes between the Executive Board and Unit Owners or between two or more Unit Owners regarding the Common Interest Community must be submitted to nonbinding alternative dispute resolution in the manner described in the regulation as a prerequisite to commencement of a judicial proceeding;
- (xx) By resolution, establish committees, permanent and standing, to perform any functions above as specifically delegated in the resolution establishing the committee, and also, by resolution, to dissolve committees. Any committee must maintain and publish notice of its actions to Unit Owners and the Executive Board. However, actions taken by a committee may be appealed to the Executive Board by any Unit Owner within forty-five (45) days of publication of such notice, and such committee action must be ratified, modified, or rejected by the Executive Board at its next regular meeting; and
- (xxi) Subject to the provisions of the Declaration, prepare an annual budget. The budget for regular assessments for Common Expenses and procedure for administration of the budget shall include the establishment and maintenance of an adequate (in the judgment of the Executive Board) reserve fund for the periodic maintenance, repair, and replacement of Improvements to the Common Elements and those Limited Common Elements that the Association is obligated to maintain.

- (b)(1) Unless otherwise permitted by the Declaration or this chapter, an association may adopt rules and regulations that affect the use or occupancy of Units that may be used for residential purposes only to:
- (i) Prevent any use of a Unit which violates the Declaration;
 - (ii) Regulate any occupancy of a Unit which violates the Declaration or adversely affects the use and enjoyment of other Units or the Common Elements by other Unit Owners; or
 - (iii) Restrict the leasing of residential Units to the extent those rules are reasonably designed to meet first mortgage underwriting requirements of institutional lenders who regularly purchase or insure first mortgages on units in Common Interest Communities, provided no such restrictions shall be enforceable unless notice thereof is recorded on the land records of each town in which any part of the Common Interest Community is located. Such notice shall be indexed in the grantor index of such land records in the name of the Association.
- (2) Except as provided in subdivision (1) of this subsection, the Association may not regulate any use or occupancy of Units.
- (c) If a tenant of a Unit Owner violates the Declaration, Bylaws, or rules and regulations of the Association, in addition to exercising any of its powers against the Unit Owner, the Association may:
- (i) Exercise directly against the tenant the powers described in subdivision (xii) of subsection (a) of this section;
 - (ii) After giving notice to the tenant and the Unit Owner and an opportunity to be heard, levy reasonable fines against the tenant or Unit Owner, or both, for the violation; and
 - (iii) Enforce any other rights against the tenant for the violation which the Unit Owner as landlord could lawfully have exercised under the lease, including any such right to bring a summary process action under Chapter 832 of the Connecticut General Statutes.
- (d) The rights granted under subdivision (iii) of subsection (c) of this section may only be exercised if the tenant or Unit Owner fails to cure the violation

within ten days after the Association notifies the tenant and Unit Owner of that violation.

- (e) Unless a lease otherwise provides, this section does not:
 - (i) Affect rights that the Unit Owner has to enforce the lease or that the Association has under other law; or
 - (ii) Permit the Association to enforce a lease to which it is not a party except to the extent that there is a violation of the Declaration, Bylaws, or rules and regulations.

Section 2.3 - Executive Board Limitations.

The Executive Board may not act on behalf of the Association to amend this declaration, to terminate the Common Interest Community, or to elect members of the Executive Board or determine the qualifications, powers and duties, or terms of office of Executive Board members, but the Executive Board may fill vacancies in its membership for the unexpired portion of any term. The Executive Board will be elected in accordance with the provisions of the Declaration. The Executive Board may delegate powers and duties to a Manager employed by the Association, subject to limitations in the Bylaws, without relinquishing its fiduciary duties hereunder.

Section 2.4 - Standard of Care.

Except as provided in the Declaration, the Bylaws, or the Act, the Executive Board may act in all instances on behalf of the Association. In the performance of their duties, officers and members of the Executive Board appointed by the Declarant shall exercise the degree of care and loyalty required of a trustee and officers and members of the Executive Board not appointed by a Declarant shall exercise the degree of care and loyalty required of an officer or Director of a corporation organized under Chapter 602 of the Connecticut General Statutes.

Section 2.5 - Additional Limitations.

The Executive Board will be additionally limited pursuant to the terms and conditions of the Declaration.

Section 2.6 - Manager.

The Executive Board may employ a Manager for the Common Interest Community, at a compensation established by the Executive Board, to perform such duties and services as the Executive Board will authorize. The Executive Board may delegate to the Manager only the powers granted to the Executive Board by these Bylaws under subdivisions (ii), limited to collection of assessment, (iv), and (viii), (xi), and (xiii) of Subsection 2.2.a Licenses, concessions and contracts may be executed by the Manager pursuant to specific resolutions of the Executive Board and to fulfill the requirements of the budget.

Section 2.7 - Removal of Directors.

The Unit Owners, by a two-thirds vote of all persons present and entitled to vote at any meeting of the Unit Owners at which a quorum is present, may remove any Director with or without cause, other than a Director appointed by the Declarant.

Section 2.8 - Vacancies.

Vacancies in the Executive Board caused by any reason other than the removal of a member by a Vote of the Unit Owners may be filled at a special meeting of the Executive Board held for that purpose at any time after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum, as follows:

- (a) as to vacancies of Directors whom Unit Owners other than the Declarant elected, by a majority of the remaining such members constituting the Executive Board; and
- (b) as to vacancies of members whom the Declarant has the right to appoint, by the Declarant.

Each Person so elected or appointed will be a Director for the remainder of the term of the Director so replaced.

Section 2.9 - Organization Meeting.

The first meeting of the Executive Board following each annual meeting of the Unit Owners will be held within ten (10) days thereafter at such time and place as will be fixed by the Unit Owners at the meeting at which such Executive Board will have been

elected or by newly elected Directors attending such meeting, if no time or place is fixed by the members. No notice will be necessary to the newly elected Directors in order to legally constitute such meeting, providing a majority of the Directors will be present thereat.

Section 2.10 - Meetings.

Regular meetings may be set by a schedule adopted by resolution of the Executive Board and no further notice will be required. Special meetings of the Executive Board may be called by the president or by a majority of the Directors on at least three (3) business days' notice to each member. The notice will be hand-delivered or mailed and will state the time, place and purpose of the meeting.

Section 2.11 - Location of Meetings.

All meetings of the Executive Board will be held within the Town of New Milford, unless all Directors thereof consent in writing to another location.

Section 2.12 - Waiver of Notice.

Any member may waive notice of any meeting in writing. Attendance by a Director at any meeting of the Executive Board will constitute a waiver of notice. If all the Directors are present at any meeting, no notice will be required and any business may be transacted at such meeting.

Section 2.13 - Quorum of Directors.

At all meetings of the Executive Board, a majority of the Directors will constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present will constitute the decision of the meeting. If, at any meeting, there will be less than a quorum present, a majority of those present may adjourn the meeting. At any adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called, may be transacted without further notice.

Section 2.14 - Fidelity Bonds or Insurance.

To the extent reasonably available, the Executive Board will obtain adequate fidelity bonds or insurance for all officers, employees and agents of the Association

handling or responsible for Association funds. The premiums on the bonds are a Common Expense.

Section 2.15 - Compensation.

A Director may receive compensation from the Association for acting as such as may be set by a resolution of a meeting of the Unit Owners, and may receive a reasonable reimbursement for necessary expenses actually incurred in connection with his duties. Directors acting as officers or employees may be compensated for such duties.

Section 2.16 - Consent to Corporate Action.

If all the Directors or all members of a committee established for such purposes, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Association, and the number of the Directors or committee constitutes a quorum for such action, such action will be a valid corporate action as though it had been authorized at a meeting of the Executive Board or the committee, as the case may be. The secretary will file such consents with the minutes of the meetings of the Executive Board.

Section 2.17 - Committees.

Special committees may be established by the Executive Board with members appointed by the president. A Director will be designated as liaison and will be ex officio member at each committee with a vote in its affairs. In the event no committee members are designated, the Executive Board will fulfill the functions of the committee. The Executive Board, by resolution, will designate the duties and description of committee functions. The following standing committees are established and will be staffed by appointment by the president:

- (a) covenant control;
- (b) recreation, social and communications;
- (c) finance;
- (d) management.

Section 2.18 - Telephonic Conference.

A Director or a member of a committee of the Executive Board may participate in a meeting of the Executive Board or of such committee by means of conference telephone or similar communications equipment enabling all Directors participating in the meeting to hear one another, and participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

Section 2.19 - Rules of Order.

Robert's Rules of Order, latest official version for small bodies as interpreted by the Chair, will govern rules of order for the Executive Board. The Chair will vote on all matters.

ARTICLE III

Unit Owners

Section 3.1 - Annual Meeting.

Annual meetings will be held in June at such time as the Executive Board may designate. At such meeting, the Directors will be elected by ballot of the Unit Owners, in accordance with the provisions of Article II. The Unit Owners may transact such other business at such meetings as may properly come before them.

Section 3.2 - Budget Meeting.

Meetings to consider the proposed budget will be called in accordance with the provisions of the Declaration. The budget may be considered at annual or special meetings called for other purposes as well.

Section 3.3 - Place of Meetings.

Meetings of the Unit Owners will be held at such suitable place convenient to the Unit Owners as may be designated by the Executive Board or the president.

Section 3.4 - Special Meetings.

Special meetings of the Association may be called by the president, a majority of the Executive Board, or by Unit Owners having twenty per cent of the votes in the Association.

Section 3.5 - Notice of Meetings.

Except for budget meetings which will be noticed not less than fourteen nor more than thirty days after mailing of the summary, not less than ten nor more than sixty days in advance of any meeting, the secretary or other officer specified in the Bylaws shall cause notice to be hand-delivered or sent prepaid by United States mail to the mailing address of each Unit or to any other mailing address designated in writing by the Unit Owner. The notice of any meeting shall state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes and any proposal to remove an officer or member of the Executive Board. No action will be adopted at a meeting except as stated in the notice.

Section 3.6 - Waiver of Notice.

Any Unit Owner may, at any time, waive notice of any meeting of the Unit Owners in writing, and such notice will be deemed equivalent to the giving of such notice. Attendance at a meeting will be a waiver of notice.

Section 3.7 - Adjournment of Meeting.

At any meeting of Unit Owners, a Majority of the Unit Owners who are present at such meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 3.8 - Order of Business.

The order of business at all meetings of the Unit Owners will be as follows:

- (a) Roll call (or check-in procedure);
- (b) Proof of notice of meeting;
- (c) Reading of minutes of preceding meeting;

- (d) Reports;
- (e) Establishing number and term of memberships of the Executive Board (if required and noticed);
- (f) Election of inspectors of election (when required);
- (g) Election of members of the Executive Board (when required);
- (h) Ratification of budget (if required);
- (i) Unfinished business;
- (j) New business.

Section 3.9 - Voting.

(a) If only one of several owners of a Unit is present at a meeting of the Association, that owner is entitled to cast all the votes allocated to that Unit. If more than one of the owners are present, the votes allocated to that Unit may be cast only in accordance with the agreement of a majority in interest of the owners. There is majority agreement if any one of the owners casts the votes allocated to that Unit without protest being made promptly to the person presiding over the meeting by any of the other owners of the Unit.

(b) Votes allocated to a Unit may be cast pursuant to a proxy duly executed by a Unit Owner. If a Unit is owned by more than one person, each owner of the Unit may vote or register protest to the casting of votes by the other owners of the Unit through a duly executed proxy. A Unit Owner may revoke a proxy given pursuant to this section only by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates one year after its date, unless it specifies a shorter term.

(c) The Vote of a corporation or business trust may be cast by any officer of such corporation or business trust in the absence of express notice of the designation of a specific Person by the Executive Board or Bylaws of the owning corporation or business trust. The Vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific Person by the owning partnership. The moderator of the meeting may require

reasonable evidence that a Person voting on behalf of a corporation, partnership or business trust owner is qualified so to vote.

(d) No votes allocated to a Unit owned by the Association may be cast.

Section 3.10 - Quorum.

Except as otherwise provided in these Bylaws, the Unit Owners present in person or by proxy at any meeting of Unit Owners will constitute a quorum at all meetings of the Unit Owners.

Section 3.11 - Majority Vote, Consent.

The Vote of a Majority of the Unit Owners present in person or by proxy at a meeting at which a quorum will be present will be binding upon all Unit Owners for all purposes, except where a higher percentage Vote is required in the Declaration, these Bylaws or by law. If all the members consent in writing to any action taken or to be taken by a meeting of the members of the Association, such action shall be a valid corporate action as though it had been authorized unanimously at a duly constituted meeting. The consent must set forth the action taken or to be taken. The secretary shall file such consents with the minutes of the meetings of the membership.

Section 3.12 - Rules of Order.

Robert's Rules of Order, Newly Revised, the last official revised version, will govern order in the meetings of Unit Owners.

ARTICLE IV

Officers

Section 4.1 - Designation.

The principal officers of the Association will be the president, the vice president, the secretary and the treasurer, all of whom will be elected by the Executive Board. The Executive Board may appoint an assistant treasurer, an assistant secretary, and such other officers as in its judgment may be necessary. The president and vice president, but no other officers, need be members of the Executive Board. Any two offices may be held by the same Person, except the offices of president and vice president, and the offices of president and secretary. The office of vice president may be vacant.

Section 4.2 - Election of Officers.

The officers of the Association will be elected annually by the Executive Board at the organization meeting of each new Executive Board and will hold office when the Executive Board so requires.

Section 4.3 - Removal of Officers.

Upon the affirmative Vote of a majority of the members of the Executive Board, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Executive Board, or at any special meeting of the Executive Board called for that purpose.

Section 4.4 - President.

The president will be the chief executive officer of the Association. He will preside at all meetings of the Unit Owners and of the Executive Board. He will have all of the general powers and duties which are incident to the office of president of a nonstock corporation organized under the laws of the State of Connecticut, including, but not limited to, the power to appoint members of committees from among the Unit Owners from time to time as may be appropriate to assist in the conduct of the affairs of the Association. He may fulfill the role of treasurer in the absence of the treasurer. The president may cause to be prepared and may execute amendments to the Declaration and the Bylaws on behalf of the Association, following authorization by the approval of the particular amendment as applicable.

Section 4.5 - Vice President.

The vice president, if elected, will take the place of the president and perform his duties whenever the president is absent or unable to act. If neither the president nor the vice president is able to act, the Executive Board will appoint some other member of the Executive Board to act in the place of the president, on an interim basis. The vice president will also perform such other duties as may be imposed upon him by the Executive Board or by the president. The office of vice president may remain vacant upon resolution of the Executive Board.

Section 4.6 - Secretary.

The secretary will keep the minutes of all meetings of the Unit Owners and the Executive Board; he will have charge of such books and papers as the Executive Board

may direct; and he will perform all the duties incident to the office of secretary of a nonstock corporation organized under the laws of the State of Connecticut. The secretary may cause to be prepared and may execute amendments to the Declaration and the Bylaws on behalf of the Association, following authorization by the approval of the particular amendment as applicable.

Section 4.7 - Treasurer.

The treasurer will have the responsibility for Association funds and securities and will be responsible for keeping full and accurate financial records, books of account showing all receipts and disbursements, and balance sheets, and for the preparation of all required financial data. He will be responsible for the deposit of all monies and other valuable effects in such depositories as may from time to time be designated by the Executive Board, and he will perform all the duties incident to the office of treasurer of a nonstock corporation organized under the laws of the State of Connecticut. He may endorse on behalf of the Association for collection only, checks, notes, and other obligations, and will deposit the same and all monies in the name of and to the credit of the Association in such banks as the Executive Board may designate. He may have custody of and will have the power to endorse for transfer, on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others. He will see that the annual federal tax returns and state tax returns, if required, are timely filed and appropriate tax payments are made.

Section 4.8 - Agreements, Contracts, Deeds, Checks, etc.

Except as provided in Sections 4.4, 4.6, 4.7 and 4.10 of these Bylaws and the provisions of the Declaration, all agreements, contracts, deeds, leases, checks and other instruments of the Association will be executed by any officer of the Association or by such other Person or Persons as may be designated by the Executive Board.

Section 4.9 - Compensation.

The Executive Board may provide for compensation of officers of the Association, and officers will receive reimbursement for necessary expenses.

Section 4.10 - Resale Certificates and Statements of Unpaid Assessments.

The treasurer, assistant treasurer, or a Manager employed by the Association, or, in their absence, any officer having access to the books and records of the Association, may prepare, certify, and execute Resale Certificates in accordance with

Section 47-270 of the Act and statements of unpaid assessments in accordance with Section 47-258(h) of the Act, and of compliance and consent to Improvements under the Declaration. The Association may charge a reasonable fee (not to exceed \$75) for preparing Resale Certificates and statements of unpaid assessments, which will be received prior to issuance of the certificate. The amount of this fee will be established by resolution of the Executive Board. The Association may refuse to furnish Resale Certificates and statements of unpaid assessments until the fee is paid. Any unpaid fees will be assessed as a Common Expense against the Unit for which the certificate or statement is furnished.

ARTICLE V

Enforcement

Section 5.1 - Abatement and Enjoyment of Violations by Unit Owners.

The violation of any of the Rules adopted by the Executive Board or the breach of any provision of the Instruments will give the Executive Board the right, subject to Notice and Hearing, except in case of an emergency, in addition to any other rights set forth in these Bylaws:

(a) to enter the Unit or Limited Common Element in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition (except for additions or alterations of a permanent structural nature essential for structural integrity of a Unit) that may exist therein contrary to the intent and meaning of the provisions of the documents, and the Executive Board will not thereby be deemed liable for any manner of trespass because of such entry; or

(b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

Section 5.2 - Fine for Violation.

By resolution, following Notice and Hearing, the Executive Board may levy a fine of up to \$100 per day for each day that a violation of the Instruments or rules persists after such Notice and Hearing, but the amount will not exceed that amount necessary to insure compliance with the rule or order of the Executive Board.

Section 5.3 - Additional Common Expenses for Misconduct.

If misconduct of a Unit Owner causes an additional Common Expense, the Association may, after notice and hearing, assess that expense exclusively against his Unit.

Section 5.4 - Towing of Improperly Parked Cars.

Cars parked in posted "no parking" areas and fire lanes or areas reserved for the use of other than the owner of the vehicle so parked, are considered trespassing, and may be towed away to the Association's contract towing company's impound area at the order of the Manager. The Unit Owner of the Unit occupied or visited by the owner of the towed vehicle assumes responsibility for all losses, costs, fees and damages resulting from the towing imposed upon or suffered by the owner of automobile so towed. Any expenditures of the Association in connection with the towing may be collected as an additional Common Expense Assessment authorized pursuant to the provisions of the Declaration.

ARTICLE VI

Indemnification

The members of the Executive Board and officers of the Association will have the liabilities and be entitled to indemnification as provided in Sections 33-455 and 33-454a of the Connecticut General Statutes (the provisions of which are hereby incorporated by reference and made a part hereof).

ARTICLE VII

Records

Section 7.1 - Records and Audits.

The Association will maintain current copies of the Declaration, Bylaws, Rules, books, records and financial statements of the Association as well as accounting records. The financial records will be maintained and audited in accordance with the provisions of the Declaration. The cost of the audit, if any, will be a Common Expense unless otherwise provided in the documents.

Section 7.2 - Examination.

All records maintained by the Association or by the Manager will be available for examination and copying by any Unit Owner, by any holder of a Security Interest in a Unit, or by any of their duly authorized agents or attorneys, at the expense of the Person examining the records, during normal business hours and after reasonable notice.

Section 7.3 - Records.

The Association will keep financial records sufficiently detailed to enable the Association to comply with Section 47-270 of the Act and as follows:

- (a) An account for each Unit which will designate the name and address of each Unit Owner, the amount of each Common Expense Assessment, the dates on which the assessment comes due, the amounts paid on the account, and the balance due.
- (b) An account for each Unit Owner showing any other fees payable by each Unit Owner.
- (c) A record of any capital expenditures anticipated by the Association for the current and next succeeding fiscal year.
- (d) A record of the amount and an accurate account of the current balance of any reserves for capital expenditures, replacement and emergency repairs.
- (e) The current operating budget adopted pursuant to Subsection 47-257(a) of the Act and ratified pursuant to the procedures of Subsection 47-245(c).
- (f) A record of any unsatisfied judgments against the Association and the existence of any pending suits in which the Association is a defendant.
- (g) A record of insurance coverage provided for the benefit of Unit Owners.
- (h) A record of the actual cost, irrespective of discounts and allowances, of the maintenance of the Common Elements.
- (i) Pursuant to the Nonstock Corporation Act, at intervals of not more than twelve months, the Association shall prepare a balance sheet showing the financial

condition of the corporation as of a date not more than four months prior thereto and a statement of receipts and disbursements for the twelve months preceding such date. The balance sheet and statement shall be deposited at the principal office of the corporation and for at least ten years from such date.

(j) Tax returns for state and federal income taxation.

(k) Minutes of proceedings of incorporators, Directors and committees of Directors, and waivers of notice.

Section 7.4 - Form Resale Certificate.

The Executive Board will adopt a form Resale Certificate to satisfy the requirement of Section 47-270 of the Act. Furthermore, pursuant to Section 47-270(e) of the Act, the secretary shall prepare, execute, and file during the month of January each year in the office of the Town Clerk of New Milford, a certificate setting forth the name and mailing address of the officer of the Association or the Manager from whom a Resale Certificate may be requested, and shall thereafter, file such certificate within thirty days of any change in the name or address of such officer or Manager. The secretary is authorized to place the new name or address on the agenda of the meeting of the Executive Board, as a resolution of such designation, immediately upon being notified of such change.

Section 7.5 - Declarant's Financial Statements.

During the period of Declarant control, the Declarant shall, at least every six months, provide the Unit Owners with a current financial statement of the Association. The statement shall be on a cash basis, and need not be audited by an independent accountant. It will include, without limitation, (1) all income and expenses for the calendar year to date; (2) all accounts payable and receivable, including the ages of those accounts and showing all sums due to and from the Declarant and affiliates of the Declarant; (3) the amount of any funded replacement reserves; and (4) the balance of any other funds of the Association.

ARTICLE VIII

Miscellaneous

Section 8.1 - Notices.

All notices to the Association or to the Executive Board will be delivered to the office of the Manager, or if there is no Manager, to the office of the Association or to such other address as the Executive Board may hereafter designate from time to time by notice in writing to all Unit Owners and to all mortgagees of Units. Except as otherwise provided, all notices to any Unit Owner will be sent to his address as it appears in the records of the Association. All notices to mortgagees of Units will be sent, except where a different manner of notice is specified elsewhere in the Instruments, by registered or certified mail to their respective addresses, as designated by them in writing to the Executive Board. All notices will be deemed to have been given when mailed except notices of changes of address, which will be deemed to have been given when received.

Section 8.2 - Fiscal Year.

The Executive Board will establish the fiscal year of the Association.

Section 8.3 - Waiver.

No restriction, condition, obligation, or provision contained in these Bylaws will be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 8.4 - Office.

The principal office of the Association will be on the Property or at such other place as the Executive Board may from time to time designate.

Section 8.5 - Amendments to Bylaws.

The Bylaws may be amended only pursuant to the provisions of the Declaration.

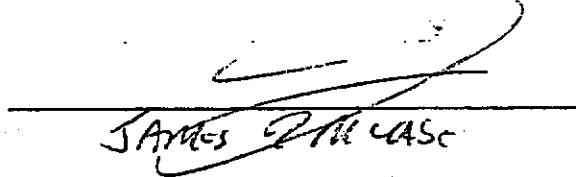
Section 8.6 - Working Capital.

A working capital fund is to be established in the amount of two months regularly budgeted initial Common Expense Assessments for each Unit. Any amounts paid into this fund are not to be considered as advanced payment of assessments. Each Unit's share of the working capital fund may be collected by the Declarant at the time the sale of the Unit is closed or at the termination of Declarant control pursuant to Section 8.9 of the Declaration, if earlier. Until control of the project is transferred, the working capital shall be deposited in a segregated fund without interest. While the Declarant's appointees are in control of the Association's Budget, they cannot use any of the working capital fund to defray Declarant's expenses, reserve contributions or construction costs, or make up budget deficits. When unsold Units are sold, the Declarant may reimburse itself for funds paid to the Association for the unsold Unit's share of the working capital fund by using funds collected at closing when the Unit is sold.

Section 8.7 - Reserves.

As a part of the adoption of the regular budget, pursuant to the provisions of the Declaration, the Executive Board shall include an amount, which in its reasonable business judgment, will establish and maintain an adequate reserve fund for the replacement of Improvements in the Common Elements and those Limited Common Elements that it is obligated to maintain.

Certified to be the Bylaws adopted by consent of the incorporator(s) of Carlson's Ridge Homeowner's Association, Inc., dated _____, 20__.



Incorporator