

(as defined in Article IX of these By-Laws), no proxy shall be valid for a period exceeding one hundred and eighty (180) days after its execution.

ARTICLE III

Board of Directors

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. Until deeds of conveyance representing seventy-five percent (75%) or more of the aggregate Common Element Interests of all Units (including all Units which may be added from the Additional Land shall have been delivered to Unit Owners by the Declarant, the Board of Directors shall consist of such persons as may be designated by the Declarant; provided, however, that the foregoing power of designation shall not extend beyond the maximum time permitted by Section 55-79.74(a) of The Condominium Act (the "Declarant Control Period"). The Board of Directors shall be composed of five (5) persons, all of whom shall be Unit Owners, Mortgagees (or designees of Mortgagees) or designees of the Declarant; provided, however, that anything in these By-Laws to the contrary notwithstanding, so long as the Declarant owns Units representing more than twenty-five percent (25%) of the aggregate Common Element Interests but in no event after the expiration of the maximum time permitted by Section 55-79.74(a) of The Condominium Act, the Board of Directors shall consist of at least three (3) members, all of whom shall be designated by the Declarant. The Declarant shall have the right in its sole discretion to remove its designated Directors and to designate their successors. The time limit on the period of Declarant's control shall commence upon the settlement of the first Unit to be sold in the Condominium.

Section 2. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association and may take any and all actions that are not by The Condominium Act or the Condominium Instruments required to be taken by the Association. The Board of Directors shall have the right to delegate to one of its members, or to a person employed for such purpose, the authority to act on behalf of the Board of Directors on any and all matters relating to the Managing Agent (as defined in Section 3 of this

Article), if any, which may arise between meetings of the Board of Directors. In addition to the duties imposed by these By-Laws or by any resolution of the Association that may hereafter be duly adopted, the Board of Directors, on behalf of the Association, shall have the powers and responsibility to:

(a) Prepare and adopt an annual budget in which there shall be expressed the assessments of each Unit Owner for Common Expenses.

(b) Make assessments against Unit Owners to defray the costs and expenses of the Condominium, establish the means and methods of collecting such assessments from the Unit Owners and provide for the installment payment of the annual assessment against the Unit Owners for Common Expenses. Unless otherwise determined by the Board of Directors, the annual assessment against each Unit Owner for his or her proportional share of the Common Expenses shall be payable in twelve (12) equal monthly installments, each such installment to be due and payable in advance on the first day of each month of the fiscal year.

(c) Provide for the operation, care, upkeep and maintenance of all of the property and services of the Condominium.

(d) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Common Elements and provide services for the Condominium and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed part of the property of the Condominium.

(e) Collect the assessments against the Unit Owners, deposit the proceeds thereof in bank depositories designated by the Board of Directors and use the proceeds to carry out the administration of the Condominium.

(f) Adopt and amend any rules and regulations; provided, however, that such rules and regulations shall not be in conflict with The Condominium Act or the Condominium Instruments.

(g) Open bank and other depository accounts on behalf of the Association and designate the signatories thereon.

(h) Make, or contract for the making of, repairs, additions and improvements to or alterations of the Condominium property and repairs to and restoration of the property, in accordance with these By-Laws, after damage or destruction by fire or other casualty or as a result of condemnation or eminent domain proceedings.

(i) Enforce by legal means the provisions of the Declaration, these By-Laws and the rules and regulations, act on behalf of the Unit Owners with respect to all matters arising out of any condemnation or eminent domain proceeding, and notify the Unit Owners of any litigation against the Association involving a claim in excess of ten percent (10%) of the amount of the annual Budget (as defined in Article VI, Section 1(b)).

(j) Obtain and continuously maintain insurance against casualties and liabilities, as provided in Article VII of these By-Laws, pay the premiums therefor and adjust and settle any claims thereunder.

(k) Pay the cost of all authorized services rendered to the Association pursuant to Article VI of these By-Laws.

(l) Keep books with detailed accounts in chronological order of all receipts and expenditures affecting the property and the administration of the Condominium, specifying in detail any expenses incurred. Such books of account and records shall be available for examination by the Unit Owners, their attorneys, accountants, Mortgagees and authorized agents during general business hours on business days. All books and records shall be kept in accordance with generally accepted accounting principles, consistently applied, and shall be audited in accordance with Article VI, Section 10 of these By-Laws.

(m) Notify a Mortgagee of any default hereunder by the Unit Owner of the Unit subject to such Mortgage, if such default continues for a period exceeding sixty (60) days after notice of the default to the Unit Owner.

(n) Borrow money on behalf of the Condominium when required in for the operation, care, upkeep and maintenance of the Common Elements; provided, however, that (except during the Declarant Control Period) either (i) a majority vote

obtained at a special meeting duly called and held for such purpose in accordance these By-Laws or (ii) the written approval of Unit Owners constituting more than fifty percent (50%) of the votes in the Association shall be required to borrow any sum exceeding two percent (2%) of the total annual assessment for Common Expenses for that fiscal year. If any sum borrowed by the Board of Directors on behalf of the Condominium pursuant to the authority contained in this subsection (n) is not timely repaid by the Association, a Unit Owner who pays to the creditor an amount equal to the outstanding balance times the percentage constituting Unit Owner's Common Element Interest shall be entitled to obtain from the creditor a release of any judgment or other lien which such creditor shall have filed or shall have the right to file against such Unit Owner's Unit, and the Association shall not be entitled to assess the Unit for payment of the remaining balance due such creditor.

(o) Acquire, hold and dispose of Units and mortgage the same without the prior approval of the Association if such expenditures and hypothecations are specifically included in the budget adopted by the Association.

(p) Designate, in its sole discretion and from time to time, certain Common Elements as Reserved Common Elements and impose such restrictions and conditions on the use thereof as the Board of Directors deems appropriate.

(q) Upon receipt of such payment as may be established by the Board of Directors in compliance with Section 55-79.97 of The Condominium Act, furnish the statement required by Section 55-79.97 of The Condominium Act within ten (10) days after the receipt of a written request therefor from any Unit Owner.

(r) Take any other actions not inconsistent with The Condominium Act or the Condominium Instruments and which the Board of Directors may be authorized to do by a resolution of the Association.

Section 3. Managing Agent. The Board of Directors shall employ for the Condominium a "Managing Agent" at a reasonable compensation to be established by the Board of Directors.

(a) Requirements. The Managing Agent shall be a bona fide business enterprise, which may or may not be affiliated with the Declarant, which manages

common interest residential communities. Such firm or its principals shall have a minimum of two (2) years experience in real estate community management and shall employ persons possessing a high level of competence in the technical and managerial skills necessary to the proper management of the Condominium. The Managing Agent must be able to advise the Board of Directors capably regarding the operation of the Condominium and to this end shall employ personnel knowledgeable in the areas of condominium insurance, accounting, contract negotiation, labor relations and condominium regulation.

(b) Duties. The Managing Agent shall perform such duties and services as the Board of Directors shall direct. Such duties and services may include, without limitation, the duties listed in Sections 2 (a), (c), (d), (e), (h), (i), (j), (k), (l), (m) and (q) of this Article. The Board of Directors may delegate to the Managing Agent all of the powers granted to the Board of Directors by these By-Laws other than the powers set forth in Sections 2 (b), (f), (g), (n), (o) and (p) of this Article. The Managing Agent shall perform the obligations, duties and services relating to the management of the Condominium, the rights of Mortgagees and the maintenance of reserve funds in compliance with the provisions of these By-Laws.

(c) Standards. The Board of Directors shall impose appropriate standards of performance upon the Managing Agent. Unless the Managing Agent is instructed otherwise by the Board of Directors:

(1) the accrual method of accounting shall be consistently employed and expenses required by these By-Laws to be charged to more than one but fewer than all Unit Owners shall be accounted for and reported separately;

(2) two (2) or more persons shall be responsible for handling cash in order to maintain adequate financial control procedures;

(3) cash accounts of the Association shall not be commingled with any other person's or entity's accounts;

(4) no remuneration shall be accepted by the Managing Agent from vendors, independent contractors or others providing goods or services to the

Association whether in the form of commissions, finders fees, service fees or other; any discounts received shall directly benefit the Association;

(5) any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors; and

(6) a monthly financial report shall be prepared for the Association containing:

(A) all receipt and disbursement activity for the preceding month;

(B) the status of all accounts in an "actual" versus "projected" (budget) format; and

(C) a "budget report" reflecting any actual or pending obligations which exceed budgeted amounts by an amount exceeding (i) the operating reserves or (ii) ten percent (10%) of a major budget category (as distinct from a specific line item in an expanded chart of accounts).

(d) Limitations. Subject to the provisions of Section 55-79.74(b) of The Condominium Act, during the period when persons designated by the Declarant constitute a majority of the Board of Directors, the Board of Directors may employ a Managing Agent for an initial term not to exceed one (1) year. The Association and the Board of Directors shall not undertake "self-management" or fail to employ a Managing Agent without the consent of a majority vote of the Unit Owners and the written consent of Mortgagees together holding sixty-six and two-thirds percent (66 $\frac{2}{3}$ %) of the Mortgages. Any contract with the Managing Agent must provide that it may be terminated, without payment of a termination fee, (i) without cause on no more than ninety (90) days' written notice and (ii) with cause on no more than thirty (30) days' written notice. The term of such contract may not exceed one (1) year.

Section 4. Election and Term of Office. At the first annual meeting of the Association, the term of office of two (2) members of the Board of Directors shall be fixed at three (3) years each, the term of office of two (2) members of the Board of Directors shall be fixed at two (2) years each and the term of office of the remaining

member of the Board of Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each member of the initial Board of Directors elected at the first annual meeting, a successor shall be elected to serve for a term of three (3) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected and have held their first meeting.

Section 5. Removal of Members of the Board of Directors. Except with respect to Directors designated by Declarant, at any regular or special meeting of the Association duly called (but only at or after the first annual meeting), any one (1) or more of the Board of Directors may be removed with or without cause by a majority vote of the Unit Owners and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Unit Owners shall be given at least ten (10) days' notice of the calling of the meeting and the purpose thereof and he or she shall be given an opportunity to be heard at the meeting.

Section 6. Vacancies. Except where the Declarant is entitled to replace a Director under these By-Laws and does not waive its right to do so, vacancies on the Board of Directors due to any reason other than the removal of a Director by a majority vote of the Unit Owners shall be filled by a vote of a majority of the remaining Directors at a special meeting of the Board of Directors called and held for such purpose promptly after the occurrence of the vacancy. Each person so elected shall be a member of the Board of Directors for the remainder of the term of the Director being replaced. Notwithstanding anything to the contrary in this Section or in Section 5 of this Article, so long as the Declarant owns more than twenty-five percent (25%) of the aggregate percentage interests in the Condominium, but in no event after the expiration of the maximum time permitted by Section 55-79.74(a) of The Condominium Act, the Declarant shall designate the successor to a Director previously designated by the Declarant.

Section 7. Organization Meeting. Immediately following the annual meeting of the Association, the Board of Directors elected at the annual meeting shall determine the date, time and place of its first meeting, and no further notice shall be

necessary to the newly elected members of the Board of Directors. Such meeting shall occur within thirty (30) days after the annual meeting.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors, but at least once every two (2) months. Notice of regular meetings of the Board of Directors shall be given to each Director personally, by mail, telephone or telecopy at least upon three (3) business days prior to the date of such meeting.

Section 9. Special Meetings. A Special meeting of the Board of Directors may be called by the President or Secretary or at the written request of at least two (2) Directors three (3) business days' notice to each Director, given personally, by mail, telephone or telecopy, which notice shall state the time, place and purpose of the meeting..

Section 10. Waiver of Notice. Any Director may, at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the receipt of such notice. Attendance by a Director at any meeting of the Board of Directors shall constitute a waiver of notice by him or her of the time and place of such meeting. If all Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 11. Fidelity Bonds. The Board of Directors shall require adequate fidelity bonds for all officers and employees of the Condominium handling or responsible for Condominium funds. The premiums for such bonds shall constitute a Common Expense.

Section 12. Compensation. No Director shall receive any compensation from the Condominium for exercising his or her duties and obligations as a Director.

Section 13. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a minute book of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. Robert's Rules of Order (latest edition) shall govern the conduct of the meetings of the Board of

