

EXHIBIT "C"

ASSOCIATION BYLAWS

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AMENDED AND RESTATED**BY-LAWS****OF****WAVES VILLAGE UNIT OWNERS' ASSOCIATION, INC.****ARTICLE I****NAME, PURPOSE, APPLICABILITY AND ASSENT**

1.1 Name. The name of this non-profit, non-stock membership corporation shall be Waves Village Unit Owners' Association, Inc., hereinafter referred to as "the Association."

1.2 Purpose. The purpose of the Association shall be to administer and manage the affairs of Waves Village Condominiums, a Condominium established pursuant to the terms of that Declaration of Condominium for Waves Village Condominiums filed in the Public Registry of Dare County, North Carolina as amended, supplemented or restated (the "Declaration") in accordance with the Unit Ownership Act, the Non-profit Corporation Act of North Carolina, this Declaration, and the Articles of Incorporation and these By-Laws, as may be amended from time to time. The Association shall not engage in any activities other than those directly related to administration of the condominium property and the Unit Owners' responsibility with respect to the same.

1.3 Applicability. These By-Laws are applicable to the property known as Waves Village Condominiums, as such property is described in **Exhibit "A"** attached to the Declaration.

1.4 Assent. These By-Laws are binding on all present and future Owners, tenants, guests, residents, or other persons occupying or using the facilities of such condominium property. The mere acquisition, rental, or act of occupancy of any part of the condominium property will signify that these By-Laws are accepted, ratified, and will be complied with. The provisions of the Declaration, regarding the governing and administration of the Association are incorporated herein by reference. The acceptance of a deed of conveyance or the entering into of a lease or the act of occupancy of a Unit shall constitute an agreement that these Bylaws (and any Rules of Conduct made pursuant hereto) and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified and will be complied with.

**ARTICLE II
DEFINITIONS**

2.1 Definitions. The definition of words contained in the Declaration, Article I shall apply to those words and terms as used in these By-Laws.

**ARTICLE III
OFFICES, REGISTERED AGENT, FISCAL YEAR, POWERS**

3.1 Principal Office, Registered Office. The principal office of the Association shall be located at Waves Village Condominiums, N.C. State Road 12, Rodanthe, Hatteras Island, North Carolina or such other places as the Board of Directors may designate from time to time.

3.2 Registered Agent. The Registered Agent for the Association is Wyatt M. Booth, whose address is 301 Fayetteville St, Suite 1700, Raleigh, NC 27601. The individual serving as Registered Agent may be removed from office and replaced at any time by vote of the Board of Directors of the Association.

3.3 Fiscal Year. The fiscal year of the Association shall be January 1 through December 31.

3.4 Powers. The Association shall have all the common law and statutory powers of non-profit corporations. The Association shall also have all the powers necessary to implement the purposes of the Association and to provide for the general health and welfare of its membership.

ARTICLE IV UNIT OWNERS' ASSOCIATION

4.1 Composition. The Unit Owners Association shall consist of all Unit owners (which shall include all Residential Unit Owners and Commercial Unit Owners as those terms are defined in the Declaration. For all purposes the Unit Owners Association shall act merely as an agent for the Unit Owners as a group (except for those areas of responsibility which are specifically and expressly delegated to, or specifically reserved for, the Residential Subassociation or the Commercial Subassociation). The Unit Owners Association shall have the responsibility of administering the Condominium, establishing the means and methods of collecting assessments and charges, arranging for the management of the Condominium and performing all of the other acts that may be required or permitted to be performed by the Association by the Condominium Act and the Declaration. Except as to those matters which the Condominium Act specifically requires to be performed by the vote of the Association, and except as to those matters which are to be handled by the Residential Executive Committee or the Commercial Executive Committee pursuant to the Declaration or these Bylaws, the foregoing responsibilities shall be performed by the Board of Directors or Managing Agent.

4.2 Election of Board of Directors. Upon recordation of the Declaration, the members of the Board of Directors shall be designated by Declarant, who shall serve until the first annual meeting of the Association. Not later than the termination of the Declarant Control Period, the Members shall elect a Board of Directors of at least three members of which at least a majority of whom shall be Unit Owners who shall take office upon election. Not later than sixty days of conveyance of twenty-five percent (25%) of the Units (including the Units which may be created pursuant to special rights) to Members other than Declarant, at least one Member and not less than twenty-five percent of the Members of the Board shall be elected by Members other than the Declarant. Not later than sixty (60) days after the conveyance of fifty percent (50%) of the Units (including Units which may be created pursuant to Special Declarant Rights) to Members other than Declarant, not less than thirty-three percent (33%) of the Members of the

Board shall be elected by Members other than Declarant. Declarant control of the Association shall run until the end of the Declarant Control Period. The Association shall publish the names and addresses of all Directors within 30 days of their election to office.

4.3 Annual Meetings. The annual meetings of the Association shall be held on a weekday (other than a legal holiday) at least thirty (30) days before the beginning of each fiscal year.

4.4 Place of Meetings. Meetings of the Association shall be held at Waves Village Condominiums or at such other suitable place convenient to the Unit Owners as may be designated by the Board of Directors.

4.5 Special Meetings. The President shall call a special meeting of the Association: (a) if so directed by resolution of the Board of Directors; (b) after the termination of the period of Declarant control, upon a petition signed and presented to the Secretary by Members of not less than twenty-five percent (25%) of the aggregate General Common Element Interests; or (c) while the Declarant is a Unit Owner, upon request of the Declarant. Such resolution, petition or request must: (i) specify the time and place at which the meeting is to be held, (ii) either specify a date on which the meeting is to be held which will permit the Secretary to comply with Section 4.6 of these Bylaws, or else specify that the Secretary shall designate the date of the meeting, (iii) specify the purposes for which the meeting is to be held, and (iv) be delivered to the Secretary. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

4.6 Notice of Meetings. The Secretary shall notify each Member of each annual or regularly scheduled meeting of the Unit Owners at least fifteen (15) but not more than thirty (30) days prior to such meeting, and of each special meeting of the Members at least five (5) but not more than twenty (20) days prior to such special meeting, stating the time, place and purpose thereof. The giving of a notice of meeting in the manner provided in this section and Section 19.1 of the Bylaws shall be considered service of notice.

4.7 Quorum and Adjournment of Meetings. Except as otherwise provided in these Bylaws, the presence in person or by proxy, of Members representing thirty percent (30%) or more of the total General Common Element Interest shall constitute a quorum at all meetings of the Association. If at any meeting of the Association a quorum is not present, Members of a majority of the Common Element Interests who are present at such meeting in person or by proxy may: (a) recess the meeting to such date, time and place as such Unit Owners may agree not more than forty-eight (48) hours after the time the original meeting was called, whereupon the Secretary shall make reasonable efforts to notify Unit Owners of such date time and place.

4.8 Order of Business. The order of business at all meetings of the Association shall be as follows: (a) roll call (proof of quorum); (b) proof of notice of meeting; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) report of Board of Directors; (f) reports of committees; (g) appointment of inspectors of election (when so required); (h) election of directors (when so required); (i) unfinished business; and (j) new business; provided, however, that balloting for election of directors may commence at any time.

4.9 Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting. The then current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Condominium Act or the Condominium Instruments.

4.10 Voting. All voting called for under these Bylaws, the Declaration or the Condominium Instruments shall occur in accordance with the following terms:

(a) The total votes in the Association are allocated to Units by the Declaration. The votes allocated to a Unit may be cast by the Unit Owner of that Unit. Where the ownership of a Unit is in more than one person, the person who shall be entitled to cast the vote for such Unit shall be the person named in the certificate executed by all of the owners of such a Unit and filed with the Secretary (if such a certificate is on file) or, in the absence of such named person from the meeting the person who shall be entitled to cast the vote of such Unit shall be the person owning such Unit who is present. If more than one person owning such Unit is present, the votes allocated to that Unit may be cast only in accordance with the vote of a majority in interest of the multiple owners. A fiduciary shall be entitled to cast a vote for a Unit owned in a fiduciary capacity. If a Member is not a natural person, the vote for such Unit may be cast by (i) any natural person having authority to execute deeds on behalf of such person, pursuant to N.C.G.S. Chapter 47, or (ii) any other natural person designated by power of attorney for the natural person referred to herein. Neither of the natural persons referred to in subsections (i) and (ii) above shall, either alone or in conjunction with one (1) or more persons, be a Member. The natural person referred to in subsection (i) above shall be named in a certificate signed by an authorized Officer of the non-natural person, and the natural person referred to in subsection (ii) above shall be named in a power of attorney signed by the natural person. The aforesaid certificate and power of attorney shall be valid until revoked by a subsequent certificate or power of attorney similarly executed and filed.

(b) Except where a greater number is required by the Condominium Act or by the Condominium Instruments, a Majority Vote is required to adopt decisions at any meeting of the Association. If the Declarant owns or holds title to one or more Units, the Declarant shall have the right at any meeting of the Association to cast the votes to which such Units are entitled.

(c) No Member may vote at any meeting of the Association or be elected to or serve on the Board of Directors if payment by such Member of any financial obligation to the Association is delinquent more than sixty (60) days and the amount necessary to bring the account current has not been paid at the time of such meeting or election.

4.11 Proxies. A vote may be cast in person or by proxy duly executed by a Member. If a Unit is owned by more than one person, each owner of the Unit may vote or register protest to the casting of that Unit's votes by the other owners of the Unit through a duly executed proxy. A Member may not revoke a proxy given pursuant to this section except by

written notice of revocation delivered to the person presiding over the meeting of the Association. A proxy is void if it is not dated and terminates one year after its date, unless it specifies a shorter term. A proxy may be instructed (directing the proxy how to vote) or uninstructed (leaving how to vote to the proxy's discretion). Such proxies may be granted by any Member in favor of only another Member, an officer, the Declarant or such Members' mortgagee, attorney, or additionally in the case of a non-resident Unit Owner, the Unit owners Lessee, attorney or rental agent. Only instructed proxies may be granted by any Unit Owner to the Managing Agent. No person other than the Declarant, the Managing Agent or an officer shall cast votes as a proxy for more than one Unit not owned by such person.

4.12 Powers of the Association. All powers residing in the Association are expressly reserved to the Association, shall be delegated to and exercised by the Board of Directors with respect to the Association and the General Common Elements; the Residential Executive Committee with respect to the Residential Section; the Commercial Executive Committee with respect to the Commercial Section; and/or the Managing Agent.

4.13 Action by Written Consent. Action required or permitted by this Section to be taken at a meeting of Members may be taken without a meeting if the action is taken by all Members entitled to vote on the action. The action shall be evidenced by one or more written consents describing the action taken, signed before or after such action by all Members entitled to vote thereon, and delivered to the Association for inclusion in the minutes or filing with the corporate records. The record date for determining Members entitled to take action without a meeting is the date the first Member signs the consent. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

ARTICLE V BOARD OF DIRECTORS

5.1 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 do all such acts and things as are not by the Condominium Act or the Condominium Instruments required to be exercised and done by the Association. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board shall on behalf of the Association:

- (a) Prepare and adopt an annual budget, in which there shall be expressed the assessments of each Unit Owner for the General Common Expenses, applicable Limited Common Expenses, or for the Common Expenses of the entire Property, if the Board so agrees with each of the Subassociations;
- (b) Make assessments against Unit Owners to defray the costs and expenses of the Condominium General Common Elements, applicable Limited Common Expenses or the Common Elements if each of the Subassociations so agree, and establish the means and methods of collecting such assessments from the Unit Owners and establish the period of installment payment of the annual assessment for General Common Expenses, and other Common Expenses, if any.

- UNOFFICIAL DOCUMENT
- (c) Provide for the operation, care, upkeep and maintenance of all of the Property and services of the Condominium, including the General Common Elements and other Common Elements, if any.
- (d) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the General Common Elements and other Common Elements, if applicable, 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.
- (e) Collect the General Common Expense assessments, and other Common Expense assessments, if applicable, 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 Property.
- (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, and it being intended that such rules and regulations so adopted shall be only such rules and regulations which uniformly apply to all Unit owners of the Building without regard for which Section the Unit is located in, it being further intended that rules and regulations which apply to Units within only one Section of the Condominium (Residential or Commercial), or discriminate or create a heavier undue burden against Units within only one Section of the Condominium (Residential or Commercial), shall be left for promulgation by that Section Subassociation to which such rule or regulation applies, or discriminates or creates a heavier burden against.
- (g) Open bank accounts on behalf of the Unit Owners Association and designate the signatures thereon.
- (h) Make, or contract for the making of, repairs, additions and improvements to or alterations of the General Common Elements, and other Common Elements, if applicable, in accordance with these Bylaws and the Declaration, 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 Bylaws and the rules and regulations, act on behalf of the Members with respect to all matters arising out of any eminent domain proceeding, and notify the Members of and litigation against the Association involving a claim in excess of ten percent of the amount of the annual budget.
- (j) Obtain and carry insurance against casualties and liabilities, as provided in these Bylaws, pay the premiums therefore, adjust and settle and claims thereunder.
- (k) Keep books with accounts affecting the General Common Elements, and other Common Elements, if applicable, the administration of the General Common Elements,

and other Common Elements, if applicable, specifying the expenses of maintenance and repair of such Common Elements and any other expenses incurred which are not the responsibility of the Residential Subassociation or the Commercial Subassociation. Such books and vouchers accrediting the entries therein shall be available for examination by the Members, their attorneys, accountants, Mortgagees and authorized agents during normal business hours on business days at the times and in the manner set and announced by the Board of Directors for the general knowledge of the Members. The Board, on behalf of the Association, shall also keep current copies of the Declaration, Bylaws and Condominium Rules.

(q) Pay the cost of all authorized services rendered to the Association and not billed to a Unit Owner of individual Units or to the Residential Subassociation or Commercial Subassociation.

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

(n) Borrow money on behalf of the Condominium when required in connection with any one instance relating to the operation, care, upkeep and maintenance of the General Common Elements and other Common Elements, if applicable; provided, however, that (except during the Declarant Control Period) a vote in writing by Members of Units to which more than fifty one percent (51%) of the votes in the Association appertain shall be required to borrow any sum in excess of ten percent (10%) of the total annual assessment for General Common Expenses for that fiscal year.

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

(p) Do such other things and acts not inconsistent with the Condominium Act or the Condominium Instruments which the Board of Directors may be authorized to do by a resolution of the Association.

5.2 Managing Agent. The Declarant shall be the Managing Agent until such time as Declarant shall resign as Managing Agent. The management fee charged by Declarant shall be at a rate equal to the average rate customarily charged by managing agents on the Outer Banks of North Carolina. Upon resignation of Declarant as Managing Agent, the Board of Directors may contract with or employ any person, firm or corporation, including an affiliate or the Declarant, to serve as Managing Agent for the Project and the Association, at a compensation established by the Board of Directors.

5.3 Number and Term of Office. The Board of Directors shall serve as follows:

(a) Designated Members: During the Declarant Control Period, the Declarant shall be entitled to designate directors not elected pursuant to Section 4.5 of these Bylaws. The initial Board of Directors shall consist of three (3) persons. The term of each

designee shall be fixed by the Declarant. At the special meeting required by Section 4.5, a number of the directors designated by the Declarant shall resign if necessary so that a majority of the requisite percentage of directors shall have been elected in accordance with Section 4.5. The persons elected shall serve for the remainder of the terms of office of the resigning directors who such persons replace, or if no resignation was required, for the terms of office necessary so that the term of office for generally one-third of the directors shall expire at each of the first three annual meetings after their election. The directors receiving the greatest vote shall be elected for the longest available terms. At the expiration of the term of office of all directors designated by the Declarant or elected at the special meeting held pursuant to Section 4.5, all successor directors shall be elected to serve for a term of three years.

(b) Elected Members: At the first annual meeting of the Association following the termination of the Declarant Control Period, three (3) members of the Board of Directors shall be elected, two (2) by the Residential Subassociation and one (1) by the Commercial Subassociation, and at their respective annual meetings held immediately before or simultaneously with the annual meeting for the Association. Commencing with the first annual meeting of the Association following the Declarant Control Period, the term of office of the directors shall be one (1) year. At the expiration of the initial term of office of each respective director, his successor shall be elected to serve a term of three (3) years. Such successors shall be elected by the Residential Subassociation and Commercial Subassociation, as provided above. Each director shall hold office until the next meeting of the Board of Directors following the election of his successor. No person shall be elected as a director or continue to serve as a director if he or she is more than sixty (60) days delinquent in meeting bona fide financial obligations to the Association or if a lien has been filed against such person's Unit.

5.4 Organization Meeting: The first meeting of the Board of Directors following the annual meeting of the Association shall be held within thirty (30) days thereafter at such time and place as shall be determined by a majority of the directors at the meeting at which such Board of Directors shall have been elected. No notice shall be necessary to the newly-elected directors in order legally to constitute such meeting if a majority of the entire Board of Directors is present at the meeting.

5.5 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 such meetings shall be held at least once every three months during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telegraph or telephone, at least three business days prior to the day named for such meeting.

5.6 Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days notice to each director, given personally or by mail, telegraph or telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two directors.

5.7 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 giving of such notice. Attendance by a director, in person or by telephone communication, at any meeting of the Board of Directors shall constitute a waiver of notice by such director of the time, place and purpose of such a 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.

5.8 Quorum of Board of Directors. At all meetings of the Board of Directors a majority of the directors shall 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 shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn or recess the meeting from time to time. At any such 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. A director who participates in a meeting by means of telephone communication shall be deemed present at the meeting for all purposes.

5.9 Compensation. No director shall receive any compensation from the Condominium for acting in such capacity.

5.10 Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting as well as a record of all transactions and proceedings occurring at such meetings. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Condominium Acts or the Condominium Instruments. At regular intervals, the Board shall provide Unit owners an opportunity to attend a portion of a meeting of the Board and to speak to the Board about their issues and concerns, however, at such times the Board may place reasonable restrictions on the number of persons who speak on each side of any issue, and may place time restrictions on persons who speak.

5.11 Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting of all of the directors shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Board of Directors.

5.12 Liability of the Board of Directors, Officers, Unit Owners and Association.

(a) The officers and directors shall not be liable to the Association or any Member for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Association shall indemnify and hold harmless each of the officers and directors from and against all contractual liability to others arising out of contracts made by the Officers or the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Condominium Act or the Condominium Instruments, except to the extent that such liability is satisfied by directors and officers liability insurance. Officers and directors shall have no personal liability with respect to any contract made

by them on behalf of the Association. The liability of any Member arising out of any contract made by the Officers or Board of Directors, or out of the indemnification of the Officers or directors, or the damages as a result of injuries arising in connection with the Common Elements solely by virtue of ownership of a Common Element Interest therein or for liabilities incurred by the Association, shall be limited to the total liability multiplied by such Member's Common Element Interest. Every agreement made by the Officers, the Board of Directors or a Managing Agent on behalf of the Association shall, if obtainable, provide that the Officers, the Board of Directors or the Managing Agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder (except as Unit Owners). The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such person is or was an Officer or director of the Association against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred by such person in connection with, such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Condominium.

(b) The Association shall not be liable for any failure of water supply or other services to be obtained by the Association or paid for as a General Common Expense, or for injury or damage to person or property caused by the elements or by the Unit Owner of any Unit or any other person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the Common Elements or from any pipe, drain, conduit, appliance or equipment. The Association shall not be liable to any Unit Owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Property. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Property or from any action taken by the Association to comply with any law, ordinance or with the order or directive of any governmental authority.

5.13 Common or Interested Directors. Each director shall exercise such directors powers duties in good faith and with a view to the interests of the Condominium. No contract or other transaction between the Association and any of its directors, or between the Association and any corporation, firm or association (*including the Declarant*) in which any of the directors of the Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because any such director is present at the meeting of the Board or Directors or any committee thereof which authorizes or approves the contract or transaction, or because such directors vote is counted for such purpose, if any of the conditions specified in any of the following subsections exists:

(a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes, and the Board authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

(b) The fact of the common directorate or interest is disclosed or known to at least a majority of the Unit Owners, and the Unit Owners approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed. Any common or interested directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote at the meeting to authorize any contract or transaction with like force and effect as if such director of the Association were not an officer or director of such other corporation, firm or association or not so interested.

5.14 Legal Proceedings. The Board of Directors shall have the exclusive right to initiate any form of legal proceedings as it deems necessary and appropriate related to the use, operation, or maintenance of the Property, subject to the following requirements. "Legal Proceedings" as used in this Section shall mean any form of action or suit, including, but not limited to: demands for performance of Declarant obligations hereunder, under the Condominium Instruments, or contained in any statute, regulation or ordinance or at common law; and shall include the assertion, through litigation, arbitration, or otherwise, or the defense of any claims or actions related to the Property. Notwithstanding the foregoing the filing and enforcement of liens, the initiation of legal action for routine General Common Expense, Limited Common Expenses, Commercial Expenses, Residential Expenses, assessment collection matters or legal actions required to enforce provisions of the Declaration. Bylaws or rules and regulations with respect to the Property shall not be deemed Legal Proceedings for purposes of this Section and such actions shall not be subject to the requirements of this Section.

5.15 Removal or Restoration of Directors. Except with respect to directors designated by the Declarant, at any regular or special meeting of the Association, Residential Subassociation or Commercial Subassociation, duly called, any one (1) or more of the directors may be removed with or without cause by a Majority Vote of the Members within the Residential Subassociation, with respect to Residential Subassociation Board of Directors representatives, or a Majority Vote of the Members within the Commercial Subassociation, with respect to Commercial Subassociation Board of Directors representatives, and a successor may then and there be elected by the Residential Subassociation or Commercial Subassociation, as applicable, to fill the vacancy. Any director whose removal has been proposed by the Members shall be given at least seven (7) days notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting. A director may resign at any time and, except for a director designated by the Declarant. A director who was a Member at the time of election shall be deemed to have resigned upon disposition of such director's Unit, or if not in attendance at three (3) consecutive regular meetings of the Board, unless the minutes reflect the Board's consent to such absence.

5.16 Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a director by a vote of the Members shall be filled (i) if the director so vacating was elected by the Residential Subassociation, by a vote of the remaining members of the Residential Executive Committee at a special meeting held for that purpose promptly after the occurrence of any such vacancy, or (ii) if the director so vacating was elected by the Commercial

Subassociation, by a vote of the remaining members of the Commercial Executive Committee at a special meeting held for that purpose promptly after the occurrence of any such vacancy. The aforementioned elections shall take place and the results thereof shall be binding even though the members present at such meeting may constitute less than a quorum. Each person elected in accordance with this Section shall be a member of the Board of Directors for the remainder of the term of the predecessor member, and until a successor shall be elected. The Declarant shall designate the successor to any director previously designated by the Declarant who resigns or is removed.

ARTICLE VI OFFICERS

6.1 Designation and Duties. The principal Officers of the Association shall be the President, the Vice Presidents, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary and such other Officers as in its judgment may be necessary.

6.2 Election of Officers. The officers of the Association shall be elected initially by the Board of Directors at the organization meeting of each new board, and annually thereafter at the Annual meeting of each such board, and those elected shall hold office at the pleasure of the Board of Directors. The Association shall publish the names and addresses of all officers within 30 days of their election to office.

6.3 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, with or without cause, and his successor elected at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

6.4 President. The President shall: (i) be the chief executive officer of the Unit Owners Association; (ii) preside at all meetings of the Association and of the Board of Directors; (iii) have general and active direction of the business of the Association subject to the control of the Board; (iv) see that all orders and resolutions of the Board are carried into effect; and (v) appoint committees from time to time as the President may decide is appropriate to assist in the conduct of the affairs of the Association.

6.5 Vice Presidents. The Residential Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If the Residential Vice President and the Commercial Vice President are unable to act, the Board of Directors shall appoint some other director to act in the place of such Vice President, on an interim basis. Each Vice President shall also perform such other duties as shall from time to time be imposed by the Board of Directors or by the President.

6.6 Secretary. The Secretary shall: (i) keep the minutes of all meetings of the Unit Owners Association and of the Board of Directors; (ii) have charge of such books and papers as the Board may direct; (iii) give or cause to be given all notices required to be given by the Association; (iv) maintain a register setting forth the places to which all notices to Unit Owners

and Mortgagees hereunder shall be delivered; and (v), in general, perform all the duties incident to the office of secretary.

6.7 Treasurer. The Treasurer shall: (i) be responsible for Association funds and securities; (ii) keep full and accurate financial records and books of account showing all receipts and disbursements; (iii) prepare all required financial data; (iv) deposit all monies and other valuable effects in the name of the Board of Directors, the Association or the Managing Agent, in such depositories as may from time to time be designated by the Board; and (iv), in general, perform all the duties incident to the office of treasurer.

6.8 Execution of Documents. Unless authorized by a resolution of the Board of Directors: (i) all agreements, contracts, deeds, leases, checks and other instruments of the Unit Owners Association for expenditures or obligations in excess of \$500 and all checks drawn upon reserve accounts shall be executed by any two persons designated by the Board of Directors; and (ii) all such instruments for expenditures or obligations not in excess of \$500 may be executed by any one person designated by the Board of Directors.

6.9 Compensation of Officers. No Officer shall receive any compensation from the Association for acting as such Officer, unless otherwise agreed by the Members representing a majority of the Common Element Interests and which compensation is reasonable and customary. Officers may be reimbursed for expenses incurred in carrying out the functions of their office if later approved by the Board of Directors.

ARTICLE VII OPERATION AND MANAGEMENT OF THE PROPERTY

7.1 Determination of General Common Expenses and Assessments Against Unit Owners.

(a) Fiscal Year. The fiscal year of the Unit Owners Association shall be the calendar year beginning January 1 and ending December 31 unless otherwise determined by the Board of Directors.

(b) Preparation and Approval of Budgets and Special Assessment:

(i) At least sixty days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the General Common Elements, the Limited Common Elements, and those parts of the Condominium as to which it is the responsibility of the Association to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be General Common Expenses or Limited Common Expenses not assigned exclusively to a Subassociation, and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the General Common Elements and other parts of the Condominium for which the Association is responsible pursuant to the

Condominium Instruments. The Association may also enter into contracts or agreements with the Residential Executive Committee and/or Commercial Executive Committee to maintain certain components or portions of the Residential Section and/or Commercial Section of the Condominium, respectively. The cost of such maintenance or repair shall not be a General Common Expense, but shall be a Residential Expense or Commercial Expense, as applicable, of the contracting party, unless agreed by the Association and the Subassociations to the contrary by a vote of seventy five percent (75 %) of the Members of the Association and each of the Subassociations.

(ii) Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. Within thirty (30) days after adoption of any proposed budget, a summary notice shall be sent to each Member which sets forth the amount of the common expenses and any special assessment payable by each Unit Owner and shall set a date for a meeting of the Members to consider ratification of the budget, said meeting to be not less than fourteen nor more than thirty days after mailing of the summary. At said meeting (which shall not require that a quorum be present) the budget shall be considered as ratified unless a majority of all the Members reject the proposed budget. In the event the proposed budget is rejected, the budget last ratified shall be continued until such time as the Members ratify a subsequent budget proposed by the Board of Directors. The budget as ratified shall constitute the basis for determining each Member's assessment for the Common Expenses of the Condominium.

(iii) Whenever, in the judgment of the Board of Directors, the General Common Elements shall require additions, alterations, renovations or improvements costing in excess of five percent (5 %) of the Association's annual budget during the preceding fiscal year or involving the use of Replacement Reserves, the making of such additions, alterations, renovations or improvements shall require a Majority Vote of the Unit Owners, and the Board of Directors shall assess the cost thereof as a General Common Expense which shall be a Special Assessment. Any additions, alterations, renovations or improvements costing five percent (5%) of the Association's annual budget or less during the preceding fiscal year, and not involving the use of Replacement Reserves, may be made by the Board of Directors without approval of the Members and the cost thereof shall constitute a General Common Expense.

(c) Assessment and Payment of Common Expenses:

(i) The total amount of the estimated funds required from assessments for the operation and maintenance of the General Common Elements and any other property for which the Association is responsible pursuant to the Condominium Instruments set forth in the budget adopted by the Board of Directors shall be assessed against each Unit Owner in proportion to such Unit Owner's respective Common Element interest. The assessment for General Common Expenses shall be a lien against each Unit Owner's Unit. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven (11) months in such fiscal year, each Unit Owner shall be obligated to pay to the Board of Directors or the Managing Agent (as determined by the Board) one-twelfth (1/12) of such assessment. Within ninety (90) days after the end of each

fiscal year, the Board of Directors shall supply to all Unit Owners, and to each Mortgagee requesting the same, an itemized accounting of the General Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall be understood by all the parties to be held by the Association as agent for the Unit Owners and shall, at the discretion of the Unit Owners, be placed in reserve accounts or distributed to the Unit Owners. Any net shortage shall be assessed promptly against the Unit Owners in accordance with their Common Element Interests and shall be payable either in full with payment of the next monthly assessment due; or in not more than six (6) equal monthly installments, as the Board of Directors may determine.

(d) Reserves: The Board of Directors shall build up and maintain reasonable reserves for working capital, operations (including losses due to insurance deductibles), contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. Except for the normal maintenance expenses shown in the annual operating budget, all expenses for repair and replacement of physical assets maintained by the Association shall be charged first against such reserves. Unless otherwise determined by a vote of two-thirds of the directors, the amount held as reserves shall not substantially exceed the amount reasonably required to assure the Association's ability to replace components as they reach the end of their useful lives. If regular annual maintenance extends the useful life of components so that reserves are excessive, the reserves shall be adjusted by reallocation to other budget items or by distribution to the Unit Owners. If the reserves are inadequate for any reason, including non-payment of any Unit Owners assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Unit Owners according to their respective Common Element Interests, and which may be payable in a lump sum or in installments as the Board may determine. The Board of Directors shall serve notice of any further assessment on Unit Owners by a statement in writing giving the amount and reasons therefore, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due more than seven days after the delivery of such notice of further assessment. All Unit Owners so notified shall be obligated to pay the adjusted monthly amount or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of the effective date.

(e) Initial Budget and Initial Capital Payment

(i) Upon taking office, the first Board of Directors elected or designated pursuant to these Bylaws shall determine the budget, as defined in this section, for the period commencing thirty days after such election and ending on the last day of the fiscal year in which such election occurs. Assessments shall be levied and become a lien against the Unit Owners during such period.

(ii) The Declarant, as the agent of the Board of Directors, may collect from each initial purchaser at the time of settlement an "initial capital payment" equivalent to

twice the estimated monthly assessment for General Common Expenses for such purchasers Unit. The Declarant will deliver the funds so collected to the Board of Directors to provide the necessary working capital for the Association. Such funds may be used for certain prepaid items, initial equipment, supplies, organizational costs and other start up costs, and for such other purposes as the Board of Directors may determine.

(f) Effect of Failure to Prepare or Adopt Budget: The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owners obligation to pay the allocable share of the General Common Expenses as herein provided whenever the same shall be determined and in the absence of any annual budget or adjusted budget, each Unit Owner shall continue to pay each monthly installment at the monthly rate established for the previous fiscal year until notified of the monthly payment which is due more than ten days after such new annual or adjusted budget is adopted.

(g) Accounts: All sums collected by the Board of Directors and the Subassociations with respect to assessments against the Unit Owners or from any other source may be commingled into a single fund. All interest income on all accounts shall be income to and for the use of the Association.

7.2 Restrictions on Use of Units and Common Elements, Rules and Regulations.

(a) Restrictions: Each Unit and Common Elements shall be occupied and used in accord with those Restrictions on use set forth in Article VI of the Declaration.

(b) Changes to Rules and Regulations: Each Unit and the Common Elements shall be occupied and used in compliance with the Rules and Regulations (original version which is attached hereto) which may be promulgated and changed by the Board of Directors (without further recordation). Copies of the Rules and Regulations shall be furnished by the Board of Directors to each Unit Owner. Changes to the Rules and Regulations shall be conspicuously posted prior to the time when the same shall become effective and copies thereof shall be furnished to each Unit Owner upon request. Notwithstanding the above, any changes or additions to any of the rules and regulations which respect the leasing of Units shall require unanimous consent of all of the Unit Owners.

7.3 Right of Access. By acceptance of any deed of conveyance, each Unit Owner thereby grants a right of access to the Unit, as provided by the Condominium Act and the Declaration, to the Board of Directors or the Managing Agent, or any group of the foregoing, for the purpose of enabling the exercise and discharge of their respective powers and responsibilities, including without limitation making inspections, correcting any condition originating in the Unit or in a Common Element to which access is obtained through the Unit threatening another Unit or the Common Elements, performing installations, alterations or repairs to the mechanical electrical systems or the Common Elements in the Unit or elsewhere on the Property or to correct any condition which violated any Mortgage; provided, however, that request for entry is made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether or not the Unit Owner is present. Each Unit Owner shall provide a working copy of all

Unit keys to the Association. The Association shall maintain a depository box containing a copy of all keys and shall make said box accessible to the Managing Agent, all members of the Board of Directors and emergency personnel.

ARTICLE VIII RESIDENTIAL SUBASSOCIATION

8.1 Composition. The Residential Subassociation shall consist of all of the Residential Members. For all purposes the Residential Subassociation shall act merely as an agent for the Residential Members as a group. The Residential Subassociation shall have the responsibility of administering the Residential Section, establishing the means and methods of collecting assessments and charges for Residential Common Expenses associated with the Residential Section, arranging for the management of the Residential Section, and performing all of the other acts that may be required or permitted to be performed by the Residential Subassociation by the Condominium Instruments. The foregoing responsibilities shall be performed by the Residential Executive Committee or Managing Agent for the Residential Subassociation as set forth in these Bylaws.

8.2 Meetings. Annual meetings of the Residential Subassociation shall be held at least thirty (30) days before the beginning of each fiscal year.

8.3 Place of Meetings. Meetings of the Residential Subassociation shall be held at Waves Village Condominium or at such other convenient place may be designated by the Residential Executive Committee in the notice of such meetings.

8.4 Special Meetings. Special meetings shall be called as follows:

(a) The Residential Vice President shall call a special meeting of the Residential Subassociation: (i) if so directed by resolution of the Residential Executive Committee; (ii) after the termination of the Declarant Control Period, upon a petition signed and presented to the Residential Secretary by Residential Members of not less than twenty-five percent (25%) of the aggregate Residential Percentage Interests; or (iii) during the Declarant Control Period, upon the request of the Declarant. The signatures on a petition requesting a special meeting shall be valid for a period of one hundred eighty (180) days after the date of the first such signature. Such resolution, petition or request must: (i) specify the time and place at which the meeting is to be held, (ii) specify a date on which the meeting is to be held, (iii) specify the purposes for which the meeting is to be held, and (iv) be delivered to the Residential Secretary. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(b) Not later than thirty (30) days after the time that Residential Units to which twenty-five percent (25%) of the Residential Percentage Interests appertain have been conveyed to Residential Members, a special meeting of the Residential Subassociation shall be held at which not less than one-quarter (1/4) of the members of the Residential Executive Committee shall be elected by the Residential Members, other than the Declarant, to serve until the date of the first annual meeting. If such election is held prior

to the time required by this section, the members of the Residential Executive Committee elected at such election shall not take office until the earlier of the time such election is required to be held or resignation of a member of the Residential Executive Committee appointed by the Declarant without appointment of a replacement within ten (10) days. The elected members of the Residential Executive Committee shall assume office in the order of the highest number of votes received. Any remaining members of the Residential Executive Committee designated by the Declarant shall continue to serve until their terms expire; provided, however, that no more than three (3) such members of the Residential Executive Committee may serve after the first annual meeting after the special meeting held pursuant to this subsection.

(c) Not later than thirty (30) days after the time that Residential Units to which fifty percent (50%) of the Residential Percentage Interests appertain have been conveyed to Residential Members, a special meeting of the Residential Subassociation shall be held at which not less than thirty-three and one-third percent (33 1/3%) of the members of the Residential Executive Committee shall be elected by the Residential Members, other than the Declarant, to serve until the date of the first annual meeting; provided, however, that if not less than one-third (1/3) of the members of the Residential Executive Committee then serving were elected pursuant to subsection (b), no special meeting is required by this subsection (c).

(d) Not later than the termination of the Declarant Control Period, a special meeting of the Residential Subassociation shall be held at which more than fifty percent (50%) of the Residential Executive Committee shall be elected by the Residential Members, other than the Declarant, to serve terms as provided in Section 9.4.D of these Bylaws.

8.5 Notice of Meetings. The Residential Secretary shall notify each Residential Member of each annual or regularly scheduled meeting of the Residential Members at least twenty-one (21) but not more than thirty (30) days, and of each special meeting of the Residential Members at least ten (10) but not more than thirty (30) days, prior to such meeting, stating the time, place and purpose thereof.

8.6 Quorum and Adjournment of Meetings. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Residential Members representing twenty-five percent (25%) or more of the total Residential Percentage Interest shall constitute a quorum at all meetings of the Residential Subassociation. If at any meeting of the Residential Subassociation a quorum is not present, Residential Members of a majority of the Residential Percentage Interests who are present at such meeting in person or by proxy may: (i) recess the meeting to such date, time and place as such Residential Members may agree not more than forty-eight (48) hours after the time the original meeting was called; or (ii) adjourn the meeting to a time not less than forty-eight (48) hours after the time the original meeting was called whereupon the Residential Secretary shall make reasonable efforts to notify Residential Members of such date, time, and place. A quorum is not required for such subsequent meeting.

8.7 Voting. All voting of the Residential Subassociation shall occur as follows:

(a) Voting at all meetings of the Residential Subassociation shall be on a percentage basis and the percentage of the vote to which each Residential Member is entitled shall be

the Residential Percentage Interest assigned to such Residential Member's Residential Unit in the Declaration. Where the ownership of a Residential Unit is in more than one (1) person, the person who shall be entitled to cast the vote of such Residential Unit shall be the person named in a certificate executed by all of the owners of such Residential Unit and filed with the Residential Secretary (if such a certificate is on file) or, in the absence of such named person from the meeting, the person who shall be entitled to cast the vote of such Residential Unit shall be the person owning such Residential Unit who is present. A fiduciary shall be entitled to cast the vote for a Residential Unit owned in a fiduciary capacity. If more than one (1) person owning such Residential Unit is present, then such vote shall be cast only in accordance with their unanimous agreements. If a Residential Member is not a natural person, the vote for such Residential Unit may be cast by any natural person having authority to execute deeds on behalf of any person, excluding natural persons, which is, either alone or in conjunction with one (1) or more persons, a Residential Member; provided, however, that such natural person is named in a certificate signed by an authorized Officer of such person. Such certificate shall be valid until revoked by a subsequent certificate similarly executed and filed. Wherever the approval or disapproval of a Residential Member is required by the Condominium Instruments, such approval or disapproval shall be made only by the person who would be entitled to cast the vote of such Residential Unit at any meeting of the Residential Subassociation. There shall be no cumulative voting.

(b) Except where a greater number is required by the Condominium Instruments, a Majority Vote is required to adopt decisions at any meeting of the Residential Subassociation. Except as otherwise provided herein, if the Declarant owns or holds title to one (1) or more Residential Units, the Declarant shall have the right at any meeting of the Residential Subassociation to cast the votes to which such Residential Units are entitled.

(c) No Residential Member may vote at any meeting of the Residential Subassociation or be elected to or serve on the Residential Executive Committee or as an Officer of the Residential Subassociation if payment by such Residential Member of any bona fide financial obligation to the Residential Subassociation is delinquent more than sixty (60) days and the amount necessary to bring the account current has not been paid at the time of such meeting or election.

8.8 Proxies. A vote may be cast in person or by proxy at any meeting of the members of the Residential Subassociation. Proxies may be granted by any Residential Member in favor of another Residential Member, an Officer of the Residential Subassociation, the Declarant, a Managing Agent for the Residential Subassociation or such Residential Member's Mortgagee, or additionally in the case of a non-resident Residential Member, the Residential Member's lessee, attorney or rental agent. No person other than the Declarant, a Managing Agent for the Residential Subassociation or an Officer of the Residential Subassociation shall cast votes as a proxy for more than one (1) Residential Unit not owned by such person; provided, however, that a Mortgagee, an attorney or a rental agent for a non-resident Residential Member may cast votes as a proxy for as many Residential Units as such person represents. No Officer of the Residential Subassociation shall cast votes as an uninstructed proxy for more than three (3) Residential Units not owned by such person. Proxies shall be duly executed in writing, shall be dated, shall be signed by a person having authority at the time of the execution thereof to execute deeds on

behalf of that person, and must be filed with the Residential Secretary. The signatures of any person executing the proxy shall be witnessed by a person who shall sign his or her full name and address. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Residential Unit. Any proxy shall terminate automatically upon the final adjournment of the first meeting held on or after the date of that proxy, however such proxy shall remain valid for any meeting that is recessed for up to forty-eight (48) hours. Except with respect to proxies in favor of a tenant or Mortgagee, no proxy shall in any event be valid for a period in excess of one hundred and eighty (180) days after the execution thereof.

ARTICLE IX RESIDENTIAL EXECUTIVE COMMITTEE

9.1 Powers and Duties. The Residential Executive Committee shall have all of the powers and duties necessary for the administration of the affairs of the Residential Subassociation. The Residential Executive Committee may delegate to one (1) of its members or to a person employed for such purpose the authority to act on behalf of the Residential Executive Committee on such matters relating to the duties of a Managing Agent for the Residential Subassociation, if any, which may arise between meetings of the Residential Executive Committee as the Residential Executive Committee deems appropriate. In addition to the duties imposed by these Bylaws or by any resolution of the Residential Subassociation that may hereafter be adopted, the Residential Executive Committee shall, on behalf of the Residential Subassociation:

- (a) Prepare and adopt an annual budget for the Residential Subassociation, in which there shall be expressed the assessments of each Residential Unit Owner for the Residential Expenses.
- (b) Make assessments against Residential Unit Owners to defray the costs and expenses of the Residential Section, establish the means and methods for collecting such assessments from the Residential Unit Owners and establish the period of the installment payment of the annual assessment for Residential Expenses.
- (c) Provide for the operation, care, upkeep, and maintenance of all of the property and services of the Residential Section.
- (d) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Residential Limited Common Elements and Individual Residential Limited Common Elements (to the extent maintained by the Residential Subassociation) and provide services for the Residential Section 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 Residential Section.
- (e) Collect the assessments for Residential Expenses against the Residential Unit Owners, deposit the proceeds thereof in bank depositories designated by the Residential

Executive Committee and use the proceeds to carry out the administration of the Residential Section.

(f) Adopt and amend any rules and regulations with respect to the occupancy and use of the Residential Section; provided, however, that such rules and regulations shall not be in conflict with the Condominium Instruments.

(g) Open bank accounts on behalf of the Residential Subassociation and designate the signatories thereon.

(h) Make, or contract for the making of, repairs, additions and improvements to or alterations of the Residential Section, and repairs to and restoration of the Residential Section, in accordance with these Bylaws (to the extent the Residential Subassociation is responsible for the maintenance, repair and replacement of the components of the Residential Section), 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 Bylaws and the rules and regulations with respect to the occupancy and use of the Residential Section, act on behalf of the Residential Members with respect to all matters arising out of any condemnation or eminent domain proceeding affecting the Residential Section, and notify the Residential Members of any litigation against the Residential Subassociation involving a claim in excess of ten percent (10%) of the amount of the annual budget.

(j) Pay the cost of all authorized services rendered to the Residential Subassociation and not billed to Residential Members of individual Residential Units.

(k) Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Residential Section, and the administration of the Residential Section, specifying the expenses of maintenance and repair of the Residential Limited Common Elements and Individual Residential Limited Common Elements (to the extent maintained, repaired and replaced by the Residential Subassociation) and any other expenses incurred which are not the responsibility of the Association or another Subassociation. Such books and vouchers accrediting the entries therein shall be available for examination by the Residential Members, their attorneys, accountants, Mortgagees and authorized agents during normal business hours on business days at the times and in the manner set and announced by the Residential Executive Committee for the general knowledge of the Residential Members. All books and records shall be kept in a manner verifiable upon an audit and shall be subjected to an independent financial review as least once annually by an independent auditor retained by the Residential Executive Committee who shall not be a resident of the Condominium or a Residential Member or an employee or agent of any Residential Member. The books and records shall be subject to an independent audit upon the request Members to which at least 33 1/3% of the votes in the Residential Subassociation appertain. The cost of such audit shall be a Residential Expense.

(l) Borrow money on behalf of the Residential Subassociation when required in connection with any one (1) instance relating to the operation, care, upkeep and

maintenance of the Residential Limited Common Elements and Individual Residential Limited Common Elements (to the extent maintained, repaired or replaced by the Residential Subassociation); provided, however, that (except during the Declarant Control Period) either a Majority Vote obtained at a meeting duly called and held for such purpose in accordance with, the provisions of these Bylaws or a vote in writing by Members of Residential Units to which more than fifty percent (50%) of the votes in the Residential Subassociation appertain, shall be required to borrow any sum in excess of ten percent (10%) of the total annual assessment for Residential Expenses for that fiscal year.

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

(n) Do such other things and acts not inconsistent with the Condominium Instruments which the Residential Executive Committee may be authorized to do by a resolution of the Residential Subassociation. Notwithstanding the foregoing, the Residential Subassociation may agree, by a vote of seventy five percent (75%) of the Residential Members, to allow the Association to perform the powers and duties of the Residential Subassociation and Residential Executive Committee.

9.2 Managing Agent. The Residential Executive Committee shall employ the Managing Agent serving the Association.

9.3 Number and Term of Office.

(a) Designated Members. During the Declarant Control Period, the Declarant shall be entitled to designate members of the Residential Executive Committee which are not elected pursuant to the procedures of these Bylaws. The initial Residential Executive Committee shall consist of three (3) persons, all of whom shall be designated by the Declarant. At the special meeting required by these Bylaws a number of the members of the Residential Executive Committee designated by the Declarant shall resign if necessary so that the requisite percentage of members of the Residential Executive Committee shall have been elected. The persons elected shall serve for the remainder of the terms of office of the resigning members of the Residential Executive Committee who such persons replace. The members of the Residential Executive Committee receiving the greatest vote shall be elected for the longest available terms. At the expiration of the term of office of all members of the Residential Executive Committee designated by the Declarant or elected at the special meeting held pursuant to these Bylaws, all successor members of the Residential Executive Committee shall be elected to serve for a term of three (3) years.

(b) Elected Members: No later than the first annual meeting of the Residential Subassociation after the special meeting held pursuant to these Bylaws, the Residential Executive Committee shall be composed of five (5) persons. An elected member of the Residential Executive Committee shall serve for a term of three (3) years unless elected to fill a vacancy, in which case such member shall serve pursuant to the terms of these Bylaws. Except for resignation or removal, the members of the Residential Executive

Committee shall hold office until their respective successors shall have been elected by the Residential Subassociation. The two (2) members of the Residential Executive Committee receiving the highest number of votes shall serve in the dual capacity as members of the Board of Directors of the Association and members of the Residential Executive Committee. If two (2) or more candidates receive the same number of votes and as a result thereof any position for which an election is required to be held under this section remains unfilled, a runoff election shall be held between the candidates who received both (a) the highest number of votes and (b) the same number of votes.

Election of Residential Executive Committee.

(a) Elections Committee: At least sixty-five (65) days prior to the special meeting required by the terms of these Bylaws and each annual meeting of the Residential Subassociation, the Residential Executive Committee may appoint an Elections Committee consisting of a member of the Residential Executive Committee whose term is not then expiring and at least two (2) other Residential Members. The Elections Committee, if established, shall develop election procedures and administer such procedures as are approved by the Residential Executive Committee providing for election of members of the Residential Executive Committee by ballot of the Members at annual meetings and, where appropriate, special meetings.

(b) Qualifications: No person shall be eligible for election as a member of the Residential Executive Committee unless such person is (alone or together with one (1) or more other persons) a Residential Member or an agent (Officer, partner, etc.) or an employee of a Residential Member, a Mortgagee (or a designee of a Mortgagee) or a designee of the Declarant. No person shall be elected as a member of the Residential Executive Committee or continue to serve as a member of the Residential Executive Committee if the Residential Member is more than sixty (60) days delinquent in meeting bono fide financial obligation to the Residential Subassociation or if a lien has been filed against such person's Unit.

9.5 Removal or Resignation of Members of the Residential Executive Committee.

Except with respect to members of the Residential Executive Committee designated by the Declarant, at any regular or special meeting of the Residential Subassociation duly called, any one (1) or more of the members of the Residential Executive Committee may be removed with or without cause by a Majority Vote of the Residential Members and a successor may then and there be elected to fill the vacancy. Any member of the Residential Executive Committee whose removal has been proposed by the Residential Members shall be given at least seven (7) days notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting. A member of the Residential Executive Committee may resign as any time and, except for a member of the Residential Executive Committee designated by the Declarant, a member of the Residential Executive Committee who was a Residential Member at the time of election shall be deemed to have resigned upon disposition of such member's Residential Unit, or if not in attendance at three (3) consecutive regular meetings of the Residential Executive Committee, unless the minutes reflect the Residential Executive Committee's consent.

9.6 Vacancies. Vacancies on the Residential Executive Committee caused by any reason other than the removal of a member thereof by a vote of the Residential Members shall be

filled by a vote of a majority of the remaining members of the Residential Executive Committee at a special meeting of the Residential Executive Committee held for such purpose promptly after the occurrence of any such vacancy, even though the members present at such meeting may constitute less than a quorum because a quorum is impossible to obtain. Members of the Residential Executive Committee elected by the Residential Members or the Residential Executive Committee to fill a vacancy shall serve the remainder of the term of office of the member being replaced. During the Declarant Control Period, the Declarant shall designate the successor to any member of the Residential Executive Committee previously designated by the Declarant who resigns or is removed.

9. Meetings of the Residential Executive Committee.

(a) Organization Meeting. The first meeting of the Residential Executive Committee following the annual meeting of the Residential Subassociation shall be held within thirty (30) days thereafter at such time and place as shall be determined by a majority of the members of the Residential Executive Committee at the annual meeting.

(b) Regular Meetings. Regular meetings of the Residential Executive Committee may be held on the Property at such time as shall be determined from time to time by a majority of the members thereof, but such meetings shall be held at least annually during each fiscal year.

(c) Special Meetings. Special meetings of the Residential Executive Committee may be called by the Residential Vice President on three (3) business days notice to each member of the Residential Executive Committee, given personally or by mail, telegraph or telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Residential Executive Committee shall be called by the Residential Vice President or Residential Secretary in like manner and on like notice on the written request of as least three (3) members of the Residential Executive Committee.

(d) Notice. Notice of meetings of the Residential Executive Committee shall be given to each member thereof, personally or by mail, email, or telephone, at least three (3) business days prior to the day named for such meeting. No notice of the organizational meeting shall be necessary if such meeting is held immediately following the annual meeting.

(e) Waiver of Notice. Any member of the Residential Executive Committee may, at any time, in writing, waive notice of any meeting of the Residential Executive Committee and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Residential Executive Committee, in person or by telephone communication, at any meeting of the Residential Executive Committee shall constitute a waiver of notice by such member of the time, place and purpose of such meeting. If all members are present at any meeting of the Residential Executive Committee, no notice shall be required and any business may be transacted at such meeting.

(f) Quorum of Members of the Residential Executive Committee. At all meetings of the Residential Executive Committee a majority of the members thereof shall constitute a quorum for the transaction of business, and the votes of a majority of the members

present at a meeting while a quorum is present shall constitute the decision of the Residential Executive Committee. If at any meeting of the Residential Executive Committee there shall be less than a quorum present, a majority of those present may adjourn or recess the meeting from time to time. At any such 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. A member of the Residential Executive Committee who participates in a meeting by means of telephone communication shall be deemed present at the meeting for all purposes.

9.8 Action without Meeting. Any action by the Residential Executive Committee required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Residential Executive Committee shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Residential Executive Committee.

9.9 Compensation. No member of the Residential Executive Committee shall receive any compensation from the Residential Subassociation for acting as such, unless such compensation is approved by a majority of the Residential Members, in which event such compensation shall be reasonable. Reimbursement of expenses incurred by members of the Residential Executive Committee on behalf of the Residential Subassociation shall be permissible.

9.10 Residential Executive Committee as Agent. The Residential Executive Committee shall have the power to act as agent for the Members of all of the Residential Units and for each of them to manage, control and deal with the interests of such Residential Members in the Residential Limited Common Elements and Individual Residential Limited Common Elements of the Condominium to permit the Residential Executive Committee to fulfill all of its powers, rights, functions and duties. The Residential Executive Committee shall have the power to act as agent for each Residential Member, each Mortgagee, other named insureds and their beneficiaries and any other holder of a lien or other interest in the Residential Section to: (i) adjust and settle all claims arising under insurance policies purchased by the Residential Executive Committee, (ii) execute and deliver releases upon the payment of claims and (iii) act on their behalf in any condemnation proceeding or action of eminent domain affecting the Residential Section. The Residential Executive Committee may grant and accept easements and licenses with respect to the Residential Limited Common Elements.

9.11 Liability of the Residential Executive Committee, Officers of the Residential Subassociation, Residential Members and Residential Subassociation.

(a) The Officers of the Residential Subassociation, and members of the Residential Executive Committee shall not be liable to the Residential Subassociation or any Residential Member for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Residential Subassociation shall indemnify and hold harmless each of the Officers of the Residential Subassociation and members of the Residential Executive Committee from and against all contractual liability to others arising out of contracts made by the Officers or the Residential Executive Committee on behalf of the Residential Subassociation unless any such contract shall have been made in bad faith or contrary to the provisions of the

Condominium Instruments, except to the extent that such liability is satisfied by directors and officers liability insurance maintained by the Residential Subassociation. Officers of the Residential Subassociation and members of the Residential Executive Committee shall have no personal liability with respect to any contract made by them on behalf of the Residential Subassociation. The liability of any Residential Member arising out of any contract made by the officers of the Residential Subassociation or the Residential Executive Committee, or out of the indemnification of the officers of the Residential Subassociation or members of the Residential Executive Committee, or for damages as a result of injuries arising in connection with the Residential Limited Common Elements or Individual Residential Limited Common Elements solely by virtue of ownership of a Residential Percentage Interest therein or for liabilities incurred by the Residential Subassociation, shall be limited to the total liability multiplied by such Residential Member's Residential Percentage Interest. Every agreement made by the officers of the Residential Subassociation, the Residential Executive Committee or the Managing Agent on behalf of the Residential Subassociation shall, if obtainable, provide that the officers of the Residential Subassociation, the members of the Residential Executive Committee or the Managing Agent, as the case may be, are acting only as agents for the Residential Subassociation and shall have no personal liability thereunder (except as Residential Members), and that each Residential Member's liability thereunder shall be limited to the total liability thereunder multiplied by such Residential Member's Residential Percentage Interest. The Residential Subassociation shall indemnify and hold harmless each of the members of the Residential Executive Committee from and against all liability to others arising out of the due exercise of their responsibilities unless their action shall have been taken in bad faith or contrary to the provisions of the Condominium Instruments. The Residential Subassociation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such person is or was an officer of the Residential Subassociation or member of the Residential Executive Committee against expenses (including attorney's fees), judgments, fines and amounts paid in settlement incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to the best interests of the Residential Section.

(b) The Residential Subassociation shall not be liable for any failure of any utilities or other services to be obtained by the Residential Subassociation or paid for as a Residential Expense, or for injury or damage to person or property caused by the elements or by the Residential Member of any Residential Unit, or any other person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the Residential Limited Common Elements or Individual Residential Limited Common Elements or from any pipe, drain, conduit, appliance or equipment. The Residential Subassociation shall not be liable to any Residential Member for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Residential Limited Common Elements or Individual Residential Limited Common Elements. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Residential Limited Common Elements or Individual Residential Limited Common Elements or from any action taken by the

Residential Subassociation to comply with any law, ordinance or with the order or directive of any governmental authority.

9.12 Common or Interested Members of the Residential Executive Committee. Each member of the Residential Executive Committee shall exercise such member's powers and duties in good faith and with a view to the interests of the Residential Section. No contract or other transaction between the Residential Subassociation and any of the members of the Residential Executive Committee, or between the Residential Subassociation and any corporation, firm or association (including the Declarant) in which any of the members of the Residential Executive Committee, or the Residential Subassociation are directors or Officers or are pecuniarily or otherwise interested, is either void or voidable because any such member of the Residential Executive Committee is present at the meeting of the Residential Executive Committee or any committee thereof which authorizes or approves the contract or transaction, or because such member's vote is counted for such purpose, if any of the conditions specified in any of the following subsections exist:

- (a) The fact of the common directorate or interest is disclosed or known to the Residential Executive Committee or noted in the minutes, and the Residential Executive Committee authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or
- (b) The fact of the common directorate or interest is disclosed or known to at least a majority of the Residential Members, and the Residential Members approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or
- (c) The contract or transaction is commercially reasonable to the Residential Subassociation at the time it is authorized, ratified, approved or executed. Any common or interested members of the Residential Executive Committee may be counted in determining the presence of a quorum of any meeting of the Residential Executive Committee or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote at the meeting to authorize any contract or transaction with like force and effect as if such member of the Residential Executive Committee were not an Officer or director of such other corporation, firm or association or not so interested.

ARTICLE X RESIDENTIAL OFFICERS

10.1 Designation and Duties. The principal officers of the Residential Subassociation shall be the Residential Vice President, Residential Secretary and the Residential Treasurer, all of whom shall be elected by the Residential Executive Committee. Each Officer shall perform such duties as are normally associated with such office in parliamentary organizations, except to the extent (if any) inconsistent with the Condominium Instruments, and shall perform such other duties as may be assigned to such office by resolution of the Residential Executive Committee. If any officer is unable for any reason to perform the duties of the office, the Residential Vice President may appoint another qualified person to act in such officer's stead on an interim basis.

10.2 Election of Officers. The officers of the Residential Subassociation shall be elected annually by the Residential Executive Committee at the organizational meeting of each

new Residential Executive Committee and shall hold office at the pleasure of the Residential Executive Committee. Any officer may hold more than one (1) position; provided, however that the offices of Residential Vice President and Residential Secretary shall be held by two (2) different individuals. Except for death, resignation or removal, the Officers shall hold office until their respective successors shall have been elected by the Residential Executive Committee Section.

10.3 Removal of Officers. Upon the affirmative vote of a majority of all members of the Residential Executive Committee any Officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Residential Executive Committee or at any special meeting of the Residential Executive Committee called for such purpose.

10.4 Residential Vice President. The Residential Vice President shall: (i) be the chief executive officer of the Residential Subassociation; (ii) preside at all meetings of the Residential Subassociation and of the Residential Executive Committee; (iii) have general and active direction of the business of the Residential Subassociation subject to the control of the Residential Executive Committee; (iv) see that all orders and resolutions of the Residential Executive Committee are carried into effect; and (v) appoint committees from time to time as the Residential Vice President may decide is appropriate to assist in the conduct of the affairs of the Residential Subassociation.

10.5 Residential Secretary. The Residential Secretary shall: (i) keep the minutes of all meetings of the Residential Subassociation and of the Residential Executive Committee; (ii) have charge of such books and papers as the Residential Executive Committee may direct; (iii) give or cause to be given all notices required to be given by the Residential Subassociation (such notices may be distributed by the management agent, if any; (iv) maintain a register setting forth the place to which all notices to Residential Members and Mortgagees hereunder shall be delivered; and (v), in general, perform all table duties incident to the office of Residential Secretary.

10.6 Residential Treasurer. The Residential Treasurer shall (together with the Managing Agent): (i) be responsible for Residential Subassociation funds and securities; (ii) keep full and accurate financial records and books of account showing all receipts and disbursements; (iii) prepare all required financial data: deposit all monies and other valuable effects in the name of the Residential Executive Committee, the Residential Subassociation or the Managing Agent, in such depositories as may from time so time be designated by the Residential Executive committee; and (iv) , in general, perform all the duties incident so the office of Residential Treasurer.

10.7 Execution of Documents. Unless otherwise provided by resolution of the Residential Executive Committee: (i) all agreements, contracts, deeds, leases, checks and other instruments of the Residential Subassociation for expenditures or obligations in excess of Two Thousand Dollars (\$2,000.00) and all checks drawn upon reserve accounts shall be executed by any two (2) persons designated by the Residential Executive Committee; and (ii) all such instruments for expenditures or obligations of Two Thousand Dollars (\$2,000.00) or less, except from reserve accounts, may be executed by any one (1) person designated by the Residential Executive Committee.

10.8 Compensation of Officers. No officer shall receive any compensation from the Residential Subassociation for acting, as such Officer unless such compensation is approved by a majority, of the Residential Members, in which event such compensation shall be reasonable and customary. Officers may be reimbursed for any expenses incurred in carrying out the functions of office if consented to by the Residential Executive Committee.

ARTICLE XI OPERATION OF THE RESIDENTIAL SECTION

11.1 Fiscal Year. The fiscal year of the Residential Subassociation shall be July 1 through June 30, unless determined by the Residential Executive Committee.

11.2 Preparation and Approval of Budgets and Special Assessment.

(a) At least sixty (60) days before the beginning of each fiscal year, the Residential Executive Committee shall adopt a budget for the Residential Subassociation containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Residential Limited Common Elements and Individual Residential Limited Common Elements (to the extent the same are the maintenance, repair and replacement responsibility of the Residential Subassociation) and those parts of the Residential Units as to which it is the responsibility of the Residential Subassociation to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Residential Expenses by the Condominium Instruments or a resolution of the Residential Subassociation and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Residential Section and the rendering to the Residential Members of all related services. The budget shall reflect the separate assessment of Limited Common Expenses against any Residential Unit and the Unit Owner thereof.

(b) Such budgets shall also include such reasonable amounts as the Residential Executive Committee considers necessary so provide reasonable Working Capital for day-to-day operations, contingencies, and other operating cash flow fluctuations (including losses due to insurance deductibles), and Replacement Reserves, for substantial repairs and replacements, as the same are associated with the Limited Common Elements of the Residential Buildings and the General Common Elements or other property required to be maintained by the Association pursuant to the Condominium Instruments. Such budget shall constitute the basis for determining each Unit Owner's assessment for the Common Expenses of the Condominium.

(c) Within five (5) days after adoption of any proposed budget for the Condominium the Residential Executive Committee shall provide to each Residential Unit Owner a copy of the budget and shall set a date for a meeting of the Residential Unit Owners to consider ratification of the budget not less than 14 nor more than 30 days after mailing of the summary. The copy of the budget shall be in a reasonably itemized form which sets forth the amount of the Residential Limited Common Expenses and any special assessment payable by each Residential Unit Owner. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless as that meeting a

majority of all of the Residential Unit Owners or any larger vote specified in the declaration rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Residential Unit Owners ratify a subsequent budget.

(d) Whenever, in the judgment of the Residential Executive Committee, the Residential Limited Common Elements of a Residential Building shall require additions, alterations, renovations or improvements either costing in excess of five percent (5%) of the Association's annual budget during the preceding fiscal year or involving the use of Replacement Reserves, the making of such additions, alterations, renovations or improvements shall require a Majority Vote of the Residential Unit Owners, and the Residential Executive Committee shall assess the cost thereof as a Residential Common Expense which shall be a Special Assessment. Any additions, alterations, renovations or improvements costing five percent (5%) of the Association's annual budget or less during the preceding fiscal year and not involving the use of Replacement Reserves, may be made by the Residential Executive Committee without approval of the Residential Unit Owners and the cost thereof shall constitute a Residential Common Expense.

11.3 Assessment and Payment of Residential Expenses. The total amount of the estimated funds required from assessments for the operation of the Residential Section set forth in the budget adopted by the Residential Executive Committee shall be assessed against each Residential Unit Owner in proportion to such Residential Unit Owner's respective Residential Percentage interest. The assessment for Residential Expenses shall be a lien against each Residential Unit Owner's Unit. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven months in such fiscal year each Residential Unit Owner shall be obligated to pay to the Residential Executive Committee or the Managing Agent (as determined by the Residential Executive Committee) one-twelfth (1/12) of such assessment within ninety (90) days after the end of each fiscal year. The Residential Executive Committee shall supply to all Residential Members, and so each Mortgagee requesting the same, an itemized accounting of the Residential Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Residential Executive Committee for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Residential Executive Committee, be placed in reserve accounts, be placed in a special account to be expended solely for the general welfare of the Residential Members, be credited according to each Residential Unit Owner's Residential Percentage Interest to the next monthly installments due from Residential Unit Owners under the current fiscal year's budget, until exhausted, or distributed to the Residential Unit Owners. Any net shortage shall be assessed promptly against the Residential Unit Owners in accordance with their Residential Percentage Interests and shall be payable either in full with payment of the next monthly assessment due, or in not more than six (6) equal monthly installments, as the Residential Executive Committee may determine.

11.4 Reserves. The Residential Executive Committee shall build up and maintain reasonable Working Capital for day-to-day operations, contingencies, and other operating cash flow fluctuations (including losses due to insurance deductibles), and Replacement Reserves, for substantial repairs and replacements, as the same are associated with the Residential Limited

Common Elements or other property required to be maintained by the Subassociation pursuant to the Condominium Instruments. Replacement Reserves shall, for the convenience of the Residential Unit Owners, be accumulated for replacement of portions of the Residential Limited Common Elements and shall be segregated in the separate Replacement Reserves Account and held by the Association as agent for the Residential Unit Owners. Extraordinary expenditures associated with the Residential Limited Common Elements or other property required to be maintained by the Subassociation not originally included in the annual budget which may become necessary during the year shall be charged first against Working Capital, unless sufficient funds to meet such expenditures are otherwise available in the operating account. Other than for normal maintenance expenses shown in the annual operating budget, all expenses for substantial repairs and replacement of physical assets maintained by the Association shall be charged first against such Replacement Reserves. Unless otherwise determined by a vote of all the directors, the amount held as reserves shall not substantially exceed the amount reasonably required to assure the Association's ability to replace components as they reach the end of their useful lives, as evidenced by the Reserves for Replacements Budget attached to the Declaration. If regular annual maintenance extends the useful life of components so that reserves are excessive, the reserves shall be adjusted by reallocation to other budget items or by distribution to the Residential Unit Owners as the Residential Unit Owners may determine. If the reserves are inadequate for any reason, including nonpayment of any Unit Owner's assessment, the Residential Executive Committee may at any time levy a further assessment, which shall be assessed against the Residential Unit Owners according to their respective Common Element Interests, and which may be payable in a lump sum or in installments as the Committee may determine. The Residential Executive Committee shall serve notice of any such further assessment on Residential Unit Owners by a statement in writing giving the amount and reasons therefore, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due more than seven (7) days after the delivery of such notice of further assessment. All Residential Unit Owners so identified shall be obligated to pay the adjusted monthly amount or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of the effective date.

11.5 Initial Budget and Initial Capital Payment.

(a) Upon taking office, the first Residential Executive Committee elected or designated pursuant to these Bylaws shall determine the budget, as defined in this section, for the period commencing thirty (30) days after such election and ending on the last day of the fiscal year in which such election occurs. Assessments shall be levied and become a lien against the Residential Unit Owners during such period.

(b) The Declarant, as the agent of the Residential Executive Committee, may collect from each initial purchaser at the time of settlement an "initial capital payment" equivalent to twice the estimated monthly assessment for Residential Expenses for such purchaser's Residential Unit. The Declarant will deliver the funds so collected to the Residential Executive Committee to provide the necessary working capital for the Residential Subassociation. Such funds may be used for certain prepaid items, initial equipment, supplies, organizational costs and other start-up costs, and for such other purposes as the Residential Executive Committee may determine.

11.6 Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Residential Executive Committee to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Residential Unit Owner's obligation to pay the allocable share of the Residential Expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Residential Unit Owner shall continue to pay each monthly installment at the monthly rate established for the previous fiscal year until notified of the monthly payment which is due as least ten (10) days after such new annual or adjusted budget is adopted.

11.7 Accounts. Other than Replacement Reserves which shall be segregated in separate account and held by the Association as agent for the Unit Owners, all sums collected by the Residential Executive Committee with respect to assessments against the Residential Unit Owners or from any other source may be commingled into a single fund. All interest income on all accounts shall be income to and for the use of the Association.

ARTICLE XII COMMERCIAL SUBASSOCIATION

12.1 Composition. The Commercial Subassociation shall consist of all of the Members of the Commercial Units. For all purposes the Commercial Subassociation shall act merely as an agent for the Commercial Members as a group. The Commercial Subassociation shall have the responsibility of administering the Commercial Section, establishing the means and methods of collecting assessments and charges for Commercial Common Expenses associated with the Commercial Section, arranging for the management of the Commercial Section, and performing all of the other acts that may be required or permitted to be performed by the Commercial Subassociation by the Condominium Instruments. The foregoing responsibilities shall be performed by the Commercial Executive Committee or Managing Agent as set forth in these Bylaws.

12.2 Meetings. Annual meetings of the Commercial Subassociation shall be held at least thirty (30) days before the beginning of each fiscal year.

12.3 Place of Meetings. Meetings of the Commercial Subassociation shall be held at Waves Village Condominiums or at such other suitable place convenient to the Commercial Members as may be designated by the Commercial Executive Committee in the notice of such meetings.

12.4 Special Meetings. Special meetings shall be held as follows:

- (a) The Commercial Vice President shall call a special meeting of the Commercial Subassociation: (i) if so directed by resolution of the Commercial Executive Committee; (ii) after the termination of the Declarant Control Period, upon a petition signed and presented to the Commercial Secretary by Commercial Members of not less than twenty-five percent (25%) of the aggregate Commercial Percentage Interests or (iii) during the Declarant Control Period, upon the request of the Declarant. The signatures on a petition requesting a special meeting shall be valid for a period of one

hundred eighty (180) days after the date of the first such signature. Such resolution, petition or request must: (i) specify the time and place as which the meeting is to be held; (ii) specify a date on which the meeting is to be held; (iii) specify the purposes for which the meeting is to be held; and (iv) be delivered to the Commercial Secretary. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(b) Not later than thirty (30) days after the time that Commercial Units to which twenty-five percent (25%) of the Commercial Percentage Interests appertain have been conveyed to Commercial Members, a special meeting of the Commercial Subassociation shall be held at which not less than one-quarter (1/4) of the members of the Commercial Executive Committee shall be elected by the Commercial Members, other than the Declarant, to serve until the date of the first annual meeting. If such election is held prior so the time required by this section, the members of the Commercial Executive Committee elected at such election shall not take office until the earlier of the time such election is required to be held or resignation of a member of the Commercial Executive Committee appointed by the Declarant without appointment of a replacement within ten (10) days. The elected members of the Commercial Executive Committee shall assume office in the order of the highest number of votes received. Any remaining members of the Commercial Executive Committee designated by the Declarant shall continue to serve until their terms expire; provided, however, that no more than two (2) such members of the Commercial Executive Committee may serve after first annual meeting after the special meeting held pursuant to this subsection.

(c) Not later than thirty (30) days after the time that Commercial Units to which fifty percent (50%) of the Commercial Percentage Interests appertain have been conveyed to Commercial Members, a special meeting of the Commercial Subassociation shall be held at which not less than thirty-three and one-third percent (33%) of the members of the Commercial Executive Committee shall be elected by the Commercial Members, other than the Declarant, to serve until the date of the first annual meeting; provided, however, that if not less than one-third (a) of the members of the Commercial Executive Committee then serving were elected pursuant to subsection (b), no special meeting is required by this subsection (c).

(d) Not later than the termination of the Declarant Control Period, a special meeting of the Commercial Subassociation shall be held at which more than fifty percent (50%) of the directors shall be elected by the Commercial Members, other than the Declarant, to serve terms as provided in Section 13.4 of these Bylaws.

12.5 Notice of Meetings. The Commercial Secretary shall notify each Commercial Member of each annual or regularly scheduled meeting of the Commercial Members as least twenty-one (21) but not more than thirty (30) days, and of each special meeting of the Commercial Members at least ten (10) but not more than thirty (30) days prior to such meeting, stating the time, place and purpose thereof.

12.6 Quorum and Adjournment of Meetings. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Commercial Members representing twenty-five percent (25%) or more of the total Commercial Percentage Interest shall constitute a quorum at

all meetings of the Commercial Subassociation. If at any meeting of the Commercial Subassociation a quorum is not present, Commercial Members of a majority of the Commercial Percentage Interests who are present at such meeting in person or by proxy may: (i) recess the meeting to such date, time and place as such Commercial Members may agree not more than forty-eight (48) hours after the time the original meeting was called; or (ii) adjourn the meeting to a time not less than forty-eight (48) hours after the time the original meeting was called whereupon the Commercial Secretary shall make reasonable efforts to notify Commercial Members of such date, time, and place. A quorum is not required for such subsequent meeting.

2.7 Voting: All voting of the Commercial Subassociation shall occur as follows:

(a) Voting at all meetings of the Commercial Subassociation shall be on a percentage basis and the percentage of the vote to which each Commercial Member is entitled shall be the Commercial Percentage Interest assigned to such Commercial Member's Commercial Unit in the Declaration. Where the ownership of a Commercial Unit is in more than one (1) person, the person who shall be entitled to cast the vote of such Commercial Unit shall be the person named in a certificate executed by all of the owners of such Commercial Unit and filed with the Commercial Secretary (if such a certificate is on file) or, in the absence of such named person from the meeting, the person who shall be entitled to cast the vote of such Commercial Unit shall be the person owning such Commercial Unit who is present. A fiduciary shall be entitled to cast the vote for a Commercial Unit owned in a fiduciary capacity. If more than one (1) person owning such Commercial Unit is present, then such vote shall be cast only in accordance with their unanimous agreements. If a Commercial Member is not a natural person, the vote for such Commercial Unit may be cast by any natural person having authority to execute deeds on behalf of any person, excluding natural persons, which is, either alone or in conjunction with one (1) or more persons, a Commercial Member; provided, however, that such natural person is named in a certificate signed by an authorized Officer of such person. Such certificate shall be valid until revoked by a subsequent certificate similarly executed and filed. Wherever the approval or disapproval of a Commercial Member is required by the Condominium Instruments, such approval or disapproval shall be made only by the person entitled to cast the vote of such Commercial Unit at any meeting of the Commercial Subassociation. There shall be no cumulative voting.

(b) Except where a greater number is required by the Condominium Instruments, a Majority Vote is required to adopt decisions at any meeting of the Commercial Subassociation. Except as otherwise provided herein, if the Declarant owns or holds title to one (1) or more Commercial Units, the Declarant shall have the right at any meeting of the Commercial Subassociation to cast the votes to which such Commercial Units are entitled.

(c) No Commercial Member may vote at any meeting of the Commercial Subassociation or be elected to or serve on the Commercial Executive Committee or as an officer of the Commercial Subassociation if payment by such Commercial Member of any bona fide financial obligation to the Commercial Subassociation is delinquent

more than sixty (60) days and the amount necessary to bring the account current has not been paid as the time of such meeting or election.

12.8 Proxies. A vote may be cast in person or by proxy at any meeting of the members of the Commercial Subassociation. Proxies may be granted by any Commercial Member in favor of another Commercial Member, an officer of the Commercial Subassociation, the Declarant, the Managing Agent, or such Commercial Member's Mortgagee, or additionally in the case of a non-resident Commercial Member, the Commercial Member's lessee, attorney or rental agent. No person other than the Declarant, the Managing Agent or an officer of the Commercial Subassociation shall cast votes as a proxy for more than one (1) Commercial Unit not owned by such person; provided, however, that a Mortgagee, an attorney or a rental agent for a non-resident Commercial Member may cast votes as a proxy for as many Commercial Units as such person represents. No officer of the Commercial Subassociation shall cast votes as an uninstruced proxy for more than five (5) Commercial Units not owned by such person. Proxies shall be duly executed in writing, shall be dated, shall be signed by a person having authority at the time of the execution thereof to execute deeds on behalf of that person, and must be filed with the Commercial Secretary. The signatures of any person executing the proxy shall be witnessed by a person who shall sign his or her full name and address. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Commercial Unit. Any proxy shall terminate automatically upon the final adjournment of the first meeting held on or after the date of that proxy, however such proxy shall remain valid for any meeting that is recessed for up so forty-eight (48) hours. Except with respect to proxies in favor of a tenant or Mortgagee, no proxy shall in any event be valid for a period in excess of one hundred and eighty (180) days after the execution thereof.

ARTICLE XIII COMMERCIAL EXECUTIVE COMMITTEE

13.1 Powers and Duties. The Commercial Executive Committee shall have all of the powers and duties necessary for the administration of the affairs of the Commercial Subassociation. The Commercial Executive Committee may delegate to one (1) of its members or to a person employed for such purpose the authority to act on behalf of the Commercial Executive Committee on such matters relating to the duties of the Managing Agent, which may arise between meetings of the Commercial Executive Committee as the Commercial Executive Committee deems appropriate. In addition to the duties imposed by these Bylaws or by any resolution of the Commercial Subassociation that may hereafter be adopted, the Commercial Executive Committee shall on behalf of the Commercial Subassociation:

- (a) Prepare and adopt an annual budget for the Commercial Subassociation in which there shall be expressed the assessments of each Commercial Unit Owner for the Commercial Expenses.
- (b) Make assessments against Commercial Unit Owners to defray the costs and expenses of the Commercial Section, establish the means and methods for collecting such assessments from the Commercial Unit Owners and establish the period of the installment payment of the annual assessment for Commercial Expenses.

- UNOFFICIAL DOCUMENT
- (c) Provide for the operation, care, upkeep, and maintenance of all of the property and services of the Commercial Section.
 - (d) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Commercial Limited Common Elements and Individual Commercial Limited Common Elements (to the extent maintained by the Commercial Subassociation) and provide services for the Commercial Section 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 Commercial Section.
 - (e) Collect the assessments for Commercial Expenses against the Commercial Unit Owners, deposit the proceeds thereof in bank depositories designated by the Commercial Executive Committee and use the proceeds to carry out the administration of the Commercial Section.
 - (f) Adopt and amend any rules and regulations with respect to the occupancy and use of the Commercial Section; provided, however, that such rules and regulations shall not be in conflict with the Condominium Instruments.
 - (g) Open bank accounts on behalf of the Commercial Subassociation and designate the signatories thereon.
 - (h) Make, or contract for the making of, repairs, additions and improvements to or alterations of the Commercial Section, and repairs to and restoration of the Commercial Section, in accordance with these Bylaws (to the extent the Commercial Subassociation is responsible for the maintenance, repair and replacement of the components of the Commercial Section), 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 Bylaws and the rules and regulations with respect to the occupancy and use of the Commercial Section, act on behalf of the Commercial Members with respect to all matters arising out of any condemnation or eminent domain proceeding affecting the Commercial Section, and notify the Commercial Members of any litigation against the Commercial Subassociation involving a claim in excess of ten percent (10%) of the amount of the annual budget.
 - (j) Pay the cost of all authorized services rendered to the Commercial Subassociation and not billed to Commercial Members of individual Commercial Units.
 - (k) Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Commercial Section, and the administration of the Commercial Section, specifying the expenses of maintenance and repair of the Commercial Limited Common Elements and Individual Commercial Limited Common Elements (to the extent maintained, repaired and replaced by the Commercial Subassociation) and any other expenses incurred which are not the responsibility of the Association. Such books and vouchers accrediting the entries therein shall be available

for examination by the Commercial Members, their attorneys, accountants, Mortgagees and authorized agents during normal business hours on business days at the times and in the manner set and announced by the Commercial Executive Committee for the general knowledge of the Commercial Members. All books and records shall be kept in a manner verifiable upon an audit and shall be subjected to an independent financial review at least once annually by an independent auditor retained by the Commercial Executive Committee who shall not be a resident of the Condominium or a Commercial Member or an employee or agent of any Commercial Member. The books and records shall be subject to an independent audit upon the request of Members to which at least thirty-three and one-third percent (33 1/3%) of the votes in the Commercial Subassociation appertain. The cost of such audit shall be a Commercial Expense.

(l) Borrow money on behalf of the Commercial Subassociation when required in connection with any one (1) instance relating to the operation, care, upkeep and maintenance of the Commercial Limited Common Elements and Individual Commercial Limited Common Elements (to the extent maintained, repaired or replaced by the Commercial Subassociation); provided, however that (except during the Declarant Control Period) either a Majority Vote obtained at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws or a vote in writing by Members of Commercial Units to which more than fifty percent (50%) of the votes in the Commercial Subassociation appertain, shall be required to borrow any sum in excess of ten percent (10%) of the total annual assessment for Commercial Expenses for that fiscal year.

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

(n) Do such other things and acts not inconsistent with the Condominium Instruments which the Commercial Executive Committee may be authorized so do by a resolution of the Commercial Subassociation. Notwithstanding the foregoing, the Commercial Subassociation may agree, by a vote of seventy five percent (75%) of the Commercial Members, to allow the Association to perform the powers and duties of the Commercial Subassociation and Commercial Executive Committee.

13.2 Managing Agent. The Commercial Executive Committee shall employ the Managing Agent serving the Association.

13.3 Number and Term of Office.

(a) Designated Members. During the Declarant Control Period, the Declarant shall be entitled to designate members of the Commercial Executive Committee which are not elected pursuant to the procedures of these Bylaws. The initial Commercial Executive Committee shall consist of three (3) persons, all of whom shall be designated by the Declarant. At the special meeting required by these Bylaws a number of the members of the Commercial Executive Committee designated by the Declarant shall resign if necessary so that the requisite percentage of members of the Commercial Executive Committee shall have been elected. The persons elected shall serve for the

remainder of the terms of office of the resigning members of the Commercial Executive Committee who such persons replace. The members of the Commercial Executive Committee receiving the greatest vote shall be elected for the longest available terms. At the expiration of the term of office of all members of the Commercial Executive Committee designated by the Declarant or elected at the special meeting held pursuant to these Bylaws, all successor members of the Commercial Executive Committee shall be elected to serve for a term of three (3) years.

(b) Elected Members. No later than the first annual meeting of the Commercial Subassociation after the special meeting held pursuant to these Bylaws, the Commercial Executive Committee shall be composed of three (3) persons. An elected member of the Commercial Executive Committee shall serve for a term of three (3) years unless elected to fill a vacancy, in which case such member shall serve pursuant to the terms of these Bylaws. Except for resignation or removal, the members of the Commercial Executive Committee shall hold office until their respective successors shall have been elected by the Commercial Subassociation. The member of the Commercial Executive Committee receiving the highest number of votes shall serve in the dual capacity as member of the Board of Directors of the Association and member of the Commercial Executive Committee. If two (2) or more candidates receive the same number of votes then a runoff election shall be held to determine the member who shall serve on the Board of Directors of the Association.

13.4 Election of Commercial Executive Committee.

(a) Elections Committee. At least sixty-five (65) days prior to the special meeting required by the terms of these Bylaws and each annual meeting of the Commercial Subassociation, the Commercial Executive Committee may appoint an Elections Committee consisting of a member of the Commercial Executive Committee whose term is not then expiring and at least three (3) other Commercial Members. The Elections Committee, if established, shall develop election procedures and administer such procedures as are approved by the Commercial Executive Committee providing for election of members of the Commercial Executive Committee by ballot of the Members at annual meetings and, where appropriate, special meetings.

(b) Qualifications. No person shall be eligible for election as a member of the Commercial Executive Committee unless such person is (alone or together with one (1) or more other persons) a Commercial Member or an agent (officer, partner, etc.) or an employee of a Commercial Member, a Mortgagee (or a designee of a Mortgagee) or a designee of the Declarant. No person shall be elected as a member of the Commercial Executive Committee or continue to serve as a member of the Commercial Executive Committee if the Commercial Member is more than sixty (60) days delinquent in meeting a bona fide financial obligation to the Commercial Subassociation or if a lien has been filed against such person's Commercial Unit.

13.5 Removal or Resignation of Members of the Commercial Executive Committee. Except with respect to members of the Commercial Executive Committee designated by the Declarant, at any regular or special meeting of the Commercial Subassociation duly called, any one (1) or more of the members of the Commercial Executive Committee may be removed with

or without cause by a Majority Vote of the Commercial Members and a successor may then and there be elected to fill the vacancy. Any member of the Commercial Executive Committee whose removal has been proposed by the Commercial Members shall be given at least seven (7) days notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting. A member of the Commercial Executive Committee may resign at any time and, except for a member of the Commercial Executive Committee designated by the Declarant, a member of the Commercial Executive Committee who was a Commercial Member at the time of election shall be deemed to have resigned upon disposition of such member's Commercial Unit, or if not in attendance at three (3) consecutive regular meetings of the Commercial Executive Committee, unless the minutes reflect the Commercial Executive Committee's consent to such absence.

13.6 Vacancies. Vacancies on the Commercial Executive Committee caused by any reason other than the removal of a member thereof by a vote of the Commercial Members shall be filled by a vote of a majority of the remaining members of the Commercial Executive Committee at a special meeting of the Commercial Executive Committee held for such purpose promptly after the occurrence of any such vacancy, even though the members present at such meeting may constitute less than a quorum because a quorum is impossible to obtain. Members of the Commercial Executive Committee elected by the Commercial Members or the Commercial Executive Committee to fill a vacancy shall serve the remainder of the term of office of the member being replaced. During the Declarant Control Period, the Declarant shall designate the successor to any member of the Commercial Executive Committee previously designated by the Declarant who resigns or is removed.

13.7 Meetings of the Commercial Executive Committee.

(a) Organization Meeting. The first meeting of the Commercial Executive Committee following the annual meeting of the Commercial Subassociation shall be held within thirty (30) days thereafter at such time and place as shall be determined by a majority of the members of the Commercial Executive Committee at the annual meeting.

(b) Regular Meetings. Regular meetings of the Commercial Executive Committee may be held on the Property at such time as shall be determined from time to time by a majority of the members thereof, but such meetings shall be held at least annually during each fiscal year.

(c) Special Meetings. Special meetings of the Commercial Executive Committee may be called by the Commercial Vice President on three (3) business days notice to each member of the Commercial Executive Committee, given personally or by mail, telegraph or telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Commercial Executive Committee shall be called by the Commercial Vice President or Commercial Secretary in like manner and on like notice on the written request of at least three (3) members of the Commercial Executive Committee.

(d) Notice. Notice of meetings of the Commercial Executive Committee shall be given to each member thereof personally or by mail, telegraph or telephone, at least

three (3) business days prior to the day named for such meeting. No notice of the organizational meeting shall be necessary if such meeting is held immediately following the annual meeting.

(e) Waiver of Notice. Any member of the Commercial Executive Committee may at any time, in writing, waive notice of any meeting of the Commercial Executive Committee and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Commercial Executive Committee, in person or by telephone communication, at any meeting of the Commercial Executive Committee shall constitute a waiver of notice by such member of the time, place and purpose of such meeting, if all members are present at any meeting of the Commercial Executive Committee, no notice shall be required and any business may be transacted at such meeting.

(f) Quorum of Members of the Commercial Executive Committee. At all meetings of the Commercial Executive Committee a majority of the members thereof shall constitute a quorum for the transaction of business, and the votes of a majority of the members present at a meeting while a quorum is present shall constitute the decision of the Commercial Executive Committee. If at any meeting of the Commercial Executive Committee there shall be less than a quorum present, a majority of those present may adjourn or recess the meeting from time to time. At any such 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. A member of the Commercial Executive Committee who participates in a meeting by means of telephone communication shall be deemed present at the meeting for all purposes.

13.8 Action Without Meeting. Any action by the Commercial Executive Committee required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Commercial Executive Committee shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Commercial Executive Committee.

13.9 Compensation. No member of the Commercial Executive Committee shall receive any compensation from the Commercial Subassociation for acting as such, unless such compensation is approved by a majority of the Commercial Members, in which event such compensation shall be reasonable. Reimbursement of expenses incurred by members of the Commercial Executive Committee on behalf of the Commercial Subassociation shall be permissible.

13.10 Commercial Executive Committee as Agent. The Commercial Executive Committee shall have the power to act as agent for the Members of all of the Commercial Units and for each of them, to manage, control and deal with the interests of such Commercial Members in the Commercial Limited Common Elements and Individual Commercial Limited Common Elements of the Condominium to permit the Commercial Executive Committee to fulfill all of its powers, rights, functions and duties. The Commercial Executive Committee shall have the power to act as agent for each Commercial Member, each Mortgagee, other named insureds and their beneficiaries and any other holder of a lien or other interest in the Commercial Section to: (i) adjust and settle all claims arising under insurance policies purchased by the

Commercial Executive Committee, (ii) execute and deliver releases--upon the payment of claims and (iii) act on their behalf in any condemnation proceeding or action of eminent domain affecting the Commercial Section. The Commercial Executive Committee may grant and accept easements and licenses with respect to the Commercial Limited Common Elements

13.11 Liability of the Commercial Executive Committee, Officers of the Commercial Subassociation, Commercial Members and Commercial Subassociation.

(a) The officers of the Commercial Subassociation, and members of the Commercial Executive Committee shall not be liable to the Commercial Subassociation, or any Commercial Member for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Commercial Subassociation shall indemnify and hold harmless each of the officers of the Commercial Subassociation and members of the Commercial Executive Committee from and against all contractual liability to others arising out of contracts made by the Officers or the Commercial Executive Committee on behalf of the Commercial Subassociation unless any such contract shall have been made in bad faith or contrary to the provisions of the Condominium Instruments, except to the extent that such liability is satisfied by directors and officers liability insurance maintained by the Commercial Subassociation. Officers of the Commercial Subassociation and members of the Commercial Executive Committee shall have no personal liability with respect to any contract made by them on behalf of the Commercial Subassociation. The liability of any Commercial Member arising out of any contract made by the officers of the Commercial Subassociation or the Commercial Executive Committee, or out of the indemnification of the officers of the Commercial Subassociation or members of the Commercial Executive Committee, or for damages as a result of injuries arising in connection with the Commercial Limited Common Elements or Individual Commercial Limited Common Elements solely by virtue of ownership of a Commercial Percentage Interest therein or for liabilities incurred by the Commercial Subassociation, shall be limited to the total liability multiplied by such Commercial Member's Commercial Percentage Interest. Every agreement made by the officers of the Commercial Subassociation, the Commercial Executive Committee or the Managing Agent shall, if obtainable, provide that the officers of the Commercial Subassociation, the members of the Commercial Executive Committee or the Managing Agent, as the case may be, are acting only as agents for the Commercial Subassociation and shall have no personal liability thereunder (except as Commercial Members), and that each Commercial Member's liability thereunder shall be limited to the total liability thereunder multiplied by such Commercial Member's Commercial Percentage Interest. The Commercial Subassociation shall indemnify and hold harmless each of the members of the Commercial Executive Committee from and against all liability to others arising out of the due exercise of their responsibilities unless their action shall have been taken in bad faith or contrary to the provisions of the Condominium Instruments. The Commercial Subassociation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such person is or was an officer of the Commercial Subassociation or member of the Commercial Executive Committee against expenses (including attorneys fees), judgments, fines and amounts paid in settlement incurred by such person in connection with such action, suit or proceeding if such person acted in

good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Commercial Section.

(b) The Commercial Subassociation shall not be liable for any failure of any utilities or other services to be obtained by the Commercial Subassociation or paid for as a Commercial Expense, or for injury or damage to person or property caused by the elements or by the Commercial Member of any Commercial Unit, or any other person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the Commercial Limited Common Elements or Individual Commercial Limited Common Elements or from any pipe, drain, conduit, appliance or equipment. The Commercial Subassociation shall not be liable to any Commercial Member for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Commercial Limited Common Elements or Individual Commercial Limited Common Elements. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Commercial Limited Common Elements or Individual Commercial Limited Common Elements or from any action taken by the Commercial Subassociation to comply with any law, ordinance or with the order or directive of any governmental authority.

13.12 Common or Interested Members of the Commercial Executive Committee. Each member of the Commercial Executive Committee shall exercise such member's powers and duties in good faith and with a view to the interests of the Commercial Section. No contract or other transaction between the Commercial Subassociation and any of the members of the Commercial Executive Committee, or between the Commercial Subassociation and any corporation, firm or association (including the Declarant) in which any of the members of the Commercial Executive Committee, or the Commercial Subassociation are directors or Officers or are pecuniarily or otherwise interested, is either void or voidable because any such member of the Commercial Executive Committee is present at the meeting of the Commercial Executive Committee or any committee thereof which authorizes or approves the contract or transaction, or because such member's vote is counted for such purpose, if any of the conditions specified in any of the following subsections exist:

(a) The fact of the common directorate or interest is disclosed or known to the Commercial Executive Committee or noted in the minutes, and the Commercial Executive Committee authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

(b) The fact of the common directorate or interest is disclosed or known to at least a majority of the Commercial Members, and the Commercial Members approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) The contract or transaction is commercially reasonable to the Commercial Subassociation at the time it is authorized, ratified, approved or executed. Any common or interested members of the Commercial Executive Committee may be counted in determining the presence of a quorum of any meeting of the Commercial Executive Committee or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote at the meeting to authorize any contract or

transaction with like force and effect as if such member of the Commercial Executive Committee were not an Officer or director of such other corporation, firm or association or not so interested.

ARTICLE XIV COMMERCIAL OFFICERS

14.1 Designation and Duties. The principal officers of the Commercial Subassociation shall be the Commercial Vice President, the Commercial Secretary and the Commercial Treasurer, all of whom shall be elected by the Commercial Executive Committee. Each Officer shall perform such duties as are normally associated with such office in parliamentary organizations, except to the extent (if any) inconsistent with the Condominium Instruments, and shall perform such other duties as may be assigned to such office by resolution of the Commercial Executive Committee. If any officer is unable for any reason to perform the duties of the office, the Commercial Vice President (or the Commercial Executive Committee if the Commercial Vice President fails to do so) may appoint another qualified person to act in such officer's stead on an interim basis.

14.2 Election of Officers. The officers of the Commercial Subassociation shall be elected annually by the Commercial Executive Committee at the organizational meeting of each new Commercial Executive Committee and shall hold office at the pleasure of the Commercial Executive Committee. Any officer may hold more than one (1) position; provided, however, that the offices of Commercial Vice President and Commercial Secretary shall be held by two (2) different individuals. Except for death, resignation or removal, the officers shall hold office until their respective successors shall have been elected by the Commercial Executive Committee.

14.3 Removal of Officers. Upon the affirmative vote of a majority of all members of the Commercial Executive Committee, any Officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Commercial Executive Committee or at any special meeting of the Commercial Executive Committee called for such purpose.

14.4 Commercial Vice President. The Commercial Vice President shall: (i) be the chief executive officer of the Commercial Subassociation; (ii) preside at all meetings of the Commercial Subassociation and of the Commercial Executive Committee; (iii) have general and active direction of the business of the Commercial Subassociation subject to the control of the Commercial Executive Committee; (iv) see that all orders and resolutions of the Commercial Executive Committee are carried into effect; and (v) appoint committees from time to time as the Commercial Vice President may decide is appropriate to assist in the conduct of the affairs of the Commercial Subassociation.

14.5 Commercial Secretary. The Commercial Secretary shall: (i) keep the minutes of all meetings of the Commercial Subassociation and of the Commercial Executive Committee; (ii) have charge of such books and papers as the Commercial Executive Committee may direct; (iii) give or cause to be given all notices required to be given by the Commercial Subassociation

(such notices may be distributed by the management agent, if any); (iv) maintain a register setting forth the place to which all notices to Commercial Members and Mortgagees hereunder shall be delivered; and (v), in general, perform all table duties incident to the office of Commercial Secretary.

14.6 Commercial Treasurer. The Assistant Treasurer shall (together with the Managing Agent): (i) be responsible for Commercial Subassociation funds and securities; (ii) keep full and accurate financial records and books of account showing all receipts and disbursements; (iii) prepare all required financial data; (iv) deposit all monies and other valuable effects in the name of the Commercial Executive Committee, the Commercial Subassociation or the Managing Agent, in such depositories as may from time to time be designated by the Commercial Executive Committee; and (v), in general, perform all the duties incident to the office of Commercial Treasurer.

14.7 Execution of Documents. Unless otherwise provided by resolution of the Commercial Executive Committee: (i) all agreements, contracts, deeds, leases, checks and other instruments of the Commercial Subassociation for expenditures or obligations in excess of Two Thousand Dollars (\$2,000.00) and all checks drawn upon reserve accounts shall be executed by any two (2) persons designated by the Commercial Executive Committee; and (ii) all such instruments for expenditures or obligations of Two Thousand Dollars (\$2,000.00) or less, except from reserve accounts, may be executed by any one (1) person designated by the Commercial Executive Committee.

14.8 Compensation of Officers. No officer shall receive any compensation from the Commercial Subassociation for acting as such officer, unless such compensation is approved by a majority, of the Commercial Members, in which event such compensation shall be reasonable and customary. Officers may be reimbursed for any expenses incurred in carrying out the functions of office if consented to by the Commercial Executive Committee.

ARTICLE XV OPERATION OF THE COMMERCIAL SECTION

15.1 Fiscal Year. The fiscal year of the Commercial Subassociation shall be July 1 through June 30 unless otherwise determined by the Commercial Executive Committee.

15.2 Preparation and Approval of Budgets and Special Assessment.

(a) At least sixty (60) days before the beginning of each fiscal year, the Commercial Executive Committee shall adopt a budget for the Commercial Subassociation containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Commercial Limited Common Elements and Individual Commercial Limited Common Elements (to the extent the same are the maintenance, repair and replacement responsibility of the Commercial Subassociation) and those parts of the Commercial Units as to which it is the responsibility of the Commercial Subassociation to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other

expenses that may be declared to be Commercial Expenses by the Condominium Instruments or a resolution of the Commercial Subassociation and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Commercial Section and the rendering to the Commercial Members of all related services. The budget shall reflect the separate assessment of Limited Common Expenses against any Commercial Unit benefiting from such.

(b) The Commercial budget shall also include such reasonable amounts as the Commercial Executive Committee considers necessary to provide reasonable Working Capital for day-to-day operations, contingencies, and other operating cash flow fluctuations (including losses due to insurance deductibles), and Replacement Reserves, for substantial repairs and replacements, as the same are associated with the General Common Elements or other property required to be maintained by the Association pursuant to the Condominium Instruments. Such budget shall constitute the basis for determining each Unit Owner's assessment for the Common Expenses of the Condominium.

(c) Within five (5) days after adoption of any proposed budget for the Condominium, the Commercial Executive Committee shall provide to each Commercial Unit Owner a copy of the budget and shall set a date for a meeting of the Commercial Unit Owners to consider ratification of the budget not less than fourteen (14) nor more than thirty (30) days after mailing of the summary. The copy of the budget shall be in a reasonably itemized form which sets forth the amount of the Commercial Limited Common Expenses and any special assessment payable by each Commercial Unit Owner. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting a majority of all of the Commercial Unit Owners or any larger vote specified in the Declaration rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Commercial Unit Owners ratify a subsequent budget.

(d) Whenever, in the judgment of the Commercial Executive Committee, the Commercial Limited Common Elements shall require additions, alterations, renovations or improvements either costing in excess of five percent (5%) of the Association's annual budget during the preceding fiscal year or involving the use of Replacement Reserves, the making of such additions, alterations, renovations or improvements shall require a Majority Vote of the Commercial Unit Owners, and the Commercial Executive Committee shall assess the cost thereof as a Commercial Common Expense which shall be a Special Assessment. Any additions, alterations, renovations or improvements costing five percent (5%) of the Association's annual budget or less during the preceding fiscal year, and not involving the use of Replacement Reserves, may be made by the Commercial Executive Committee without approval of the Commercial Unit Owners and the cost thereof shall constitute a Commercial Common Expense.

15.3 Assessment and Payment of Commercial Expenses. The total amount of the estimated funds required from assessments for the operation of the Commercial Section set forth

in the budget adopted by the Commercial Executive Committee shall be assessed against each Commercial Unit Owner in proportion to such Commercial Unit Owner's respective Commercial Percentage Interest, except for Limited Common Expenses related to certain Individual Commercial Limited Common Elements which shall be assessed against each Commercial Unit Owner benefiting from such Individual Commercial Limited Common Elements. The assessment for Commercial Expenses, including Limited Common Expenses, shall be a lien against each Commercial Unit Owner's Unit. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven months in such fiscal year, each Commercial Unit Owner shall be obligated to pay to the Commercial Executive Committee or the Managing Agent (as determined by the Commercial Executive Committee), one-twelfth (1/12) of such assessment. Within ninety (90) days after the end of each fiscal year, the Commercial Executive Committee shall supply to all Commercial Members, and to each Mortgagee requesting the same, an itemized accounting of the Commercial Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Commercial Executive Committee for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Commercial Executive Committee, be placed in reserve accounts, be placed in a special account to be expended solely for the general welfare of the Commercial Members, be credited according to each Commercial Member's Commercial Percentage Interest to the next monthly installments due from Commercial Unit Owners under the current, fiscal year's budget, until exhausted, or distributed to the Commercial Unit Owners. Any net shortage shall be assessed promptly against the Commercial Unit Owners in accordance with their Commercial Percentage Interests and shall be payable either in full with payment of the next monthly assessment due; or in not more than six (6) equal monthly installments, as the Commercial Executive Committee may determine.

15.4 Reserves. The Commercial Executive Committee shall build up and maintain reasonable Working Capital for day-so-day operations, contingencies, and other operating cash flow fluctuations (including losses due to insurance deductibles), and Replacement Reserves, for substantial repairs and replacements, as the same are associated with the Commercial Limited Common Elements or other property required to be maintained by the Subassociation pursuant to the Condominium Instruments. Replacement Reserves shall, for the convenience of the Commercial Unit Owners, be accumulated for replacement of portions of the Commercial Limited Common Elements and shall be segregated in the separate Replacement Reserves Account and held by the Association as agent for the Commercial Unit Owners. Extraordinary expenditures associated with the Commercial Limited Common Elements or other property required to be maintained by the Subassociation not originally included in the annual budget which may become necessary during the year shall be charged first against Working Capital, unless sufficient funds to meet such expenditures are otherwise available in the operating account. Other than for normal maintenance expenses shown in the annual operating budget, all expenses for substantial repairs and replacement of physical assets maintained by the Association shall be charged first against such Replacement Reserves. Unless otherwise determined by a vote of all the directors, the amount held as reserves shall not substantially exceed the amount reasonably required to assure the Association's ability to replace components as they reach the end of their useful lives, as evidenced by the Reserves for Replacements Budget attached to the Declaration. If regular annual maintenance extends the useful life of components so that reserves are excessive, the reserves shall be adjusted by reallocation to other budget items or by distribution to the Commercial Unit Owners as the Commercial Unit Owners may determine. If the reserves are inadequate for any reason, including nonpayment of any Unit Owner's assessment, the Commercial Executive Committee may at any time levy a further assessment, which shall be assessed against the Commercial Unit Owners according to their respective Common Element Interests, and which may be payable in a lump sum or in installments as the Committee may determine. The Commercial Executive Committee shall serve notice of any such further assessment on Commercial Unit Owners by a statement in writing giving the amount and reasons therefore, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due more than seven (7) days after the delivery of such notice of further assessment. All Commercial Unit Owners so notified shall be obligated to pay the adjusted monthly amount or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of the effective date.

15.5 Initial Budget and Initial Capital Payment.

(a) Upon taking office, the first Commercial Executive Committee elected or designated pursuant to these Bylaws, shall determine the budget, as defined in this section, for the period commencing thirty (30) days after such election and ending on the last day of the fiscal year in which such election occurs. Assessments shall be levied and become a lien against the Commercial Unit Owners during such period.

(b) The Declarant, as the agent of the Commercial Executive Committee, may collect from each initial purchaser as the time of settlement an "initial capital payment" equivalent to twice the estimated monthly assessment for Commercial Expenses for such purchaser's Commercial Unit. The Declarant will deliver the Rinds so collected to the Commercial Executive Committee to provide the necessary working capital for the Commercial Subassociation. Such funds may be used for certain prepaid items, initial equipment, supplies, organizational costs and other start-up costs, and for such other purposes as the Commercial Executive Committee may determine.

15.6 Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Commercial Executive Committee to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Commercial Unit Owner's obligation to pay the allocable share of the Commercial Expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Commercial Unit Owner shall continue to pay each monthly installment at the monthly rate established for the previous fiscal year until notified of the monthly payment which is due at least ten (10) days after such new annual or adjusted budget is adopted.

15.7 Accounts. Other than Replacement Reserves which shall be segregated in a separate account and held by the Association as agent for the Unit Owners, all sums collected by the Commercial Executive Committee with respect to assessments against the Commercial Unit Owners or from any other source may be commingled into a single fund. All interest income on all accounts shall be income to and for the use of the Association.

ARTICLE XVI COMPLIANCE AND DEFAULT

16.1 Relief. Each Unit Owner shall be governed by, and shall comply with, all of the terms of the Condominium Act, Condominium Instruments and Rules and Regulations, as any of the same may be amended from time to time. Each Residential Member shall comply with any rules and regulations promulgated by the Residential Executive Committee with respect to the Residential Section. Each Commercial Member shall comply with any rules and regulations promulgated by the Commercial Executive Committee with respect to the Commercial Section. In addition to the remedies provided in Section 47C-3-116 of the Condominium Act, a default by a Unit Owner shall entitle the Association, acting through its Board of Directors or through the Managing Agent, to the relief described in this Article XVI.

(a) Additional Liability: Each Unit Owner shall be liable to the Association or to any affected Unit Owner for the expense of all maintenance, repair or replacement rendered necessary by such Unit Owners act, neglect or carelessness or the act, neglect

or carelessness of any member of such Unit Owners family or such Unit Owners guests, invitees, tenants, agents or employees, but only to the extent that such expense is not covered by an insurance policy carried by the Board of Directors; provided, however, at the discretion of the Board of Directors or the various Executive Committees, as applicable, the Board or applicable Executive Committee may assess such expense directly against the Member rather than, or in addition to, making an insurance claim. Such liability shall include any increased casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation. Any costs, including without limitation legal fees, incurred as a result of a failure to comply with the Condominium Act, the Condominium Instruments and the Rules and Regulations by any Unit Owner (or any member of such Unit Owners family or such Unit Owners guests, invitees, tenants, agents or employees) may be assessed against such Unit Owners Unit.

(b) No waiver of rights: The failure of the Association, the Board of Directors or of a Unit Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium Instruments or the Condominium Act shall not constitute a waiver of the right of the Association, the Board or the Unit Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Board of Directors or any Unit Owner pursuant to any term, provision, covenant or condition of the Condominium Instruments or the Condominium Act shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Condominium Instruments or the Condominium Act or otherwise at law or in equity.

(c) Interest: In the event of a default by any Unit Owner in paying any sum assessed against a Unit which continues for a period in excess of fifteen (15) days, interest at a rate of eighteen percent (18%) per annum or such greater rate not to exceed the maximum permissible interest rate allowed by law may be imposed in the discretion of the Board of Directors on the principal amount unpaid from the date due until paid.

(d) Abating and Enjoining Violations by Unit Owners: The violation of any of the Rules and Regulations adopted by the Board of Directors, or the various Executive Committees, the breach of any provision of the Condominium Instruments or the Condominium Act shall give the Board of Directors, and the applicable Executive Committee, the right, in addition to any other rights set forth in these Bylaws: (i) to enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions

hereof, and the Board of Directors, or the applicable Executive Committee, shall not thereby be deemed guilty in any manner of trespass; (ii) to use self-help to remove or cure any violation of the Condominium Instruments or any rules and regulations on the Common Elements or in any Unit; or (iii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, continuance of any breach.

(e) Legal Proceedings: Failure to comply with any of the terms of the Condominium Instruments and the Rules and Regulations shall be grounds for relief, including without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Board of Directors, the various Executive Committees, the Managing Agent or, if appropriate, by any aggrieved Unit Owner and shall not constitute an election of remedies.

(f) Charges: In accordance with Section 47C-3-102 (11) of the Condominium Act, the Board of Directors, or the various Executive Committees, as applicable, may levy reasonable charges against Unit Owners for violations of the Condominium Act, the Condominium Instruments or the Rules and Regulations by the Unit Owner, the members of such Unit Owners family, or such Unit Owners guests, invitees, tenants, agents or employees. Each day a violation continues, after notice is given to the Unit Owner, is a separate violation. If a Unit Owner requests in writing a hearing before the charge is imposed, the imposition of the charge shall be suspended until the hearing is held. Charges are special assessments and shall be collectible as such.

(g) Recovery of Costs. If legal assistance is obtained to enforce any of the provisions of the Condominium Instruments, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Condominium Instruments or the restraint of violations of the Condominium Instruments, the prevailing party will be entitled to recover all costs incurred by it in such action, including reasonable attorneys' fees as may be incurred and allowed by N.C.G.S. §47C-3-116(e).

(h) Mediation. Each Owner, by accepting a deed to a Unit as an Owner, agrees that any Owner or the Association or a Subassociation may require that any Dispute among the Owners or before the Board of Directors or before the Association or any Subassociation be submitted to non-binding mediation, prior to pursuing any other remedies. The fees and expenses of mediation shall be paid by the participants and shall not be a Common Expense unless all Owners so agree in writing.

(i) Arbitration. Each Owner, by accepting a deed to a Unit, agrees that any Owner or Association or a Subassociation may require that any Dispute between the Owners or

before the Board of Directors or before the Association or any Subassociation be submitted to binding arbitration pursuant to the Uniform Arbitration Act set forth in N.C.G.S. §1-567.1 et seq. as the same shall be amended from time to time. The fees and expenses of arbitration shall be paid as set forth in the award and shall not be a Common Expense unless all Owners so agree in writing.

16.2 Lien of Assessments.

(a) Lien. Assessments of each Unit Owner for Common Expenses or any special assessment, or any other sum duly levied, made pursuant to these Bylaws, are hereby declared to be a lien levied against the Unit of such Unit Owner, which lien shall, with respect to annual assessments, be effective as of the earlier of: 1) the first day of each fiscal year of the Condominium and, as to special assessments and other sums duly levied, on the first day of the next month which begins more than ten (10) days after delivery to the Unit Owner of notice of such special assessment or levy, or 2) the first day allowed under applicable law. The Board of Directors, or the various Executive Committees, as applicable, or the Managing Agent, if any, may file or record such other or further notice of any such lien, or such other or further document, as may be required to confirm the establishment and priority of such lien.

(b) Acceleration. In any case where an assessment against a Unit Owner is payable in installments, upon a default by such Unit Owner in the timely payment of any two consecutive installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated, at the option of the Board of Directors, or the various applicable Executive Committee, or the Managing Agent, if any, and the entire remaining balance declared immediately due and payable, upon written notice being given to the defaulting Unit Owner.

(c) Enforcement. The lien for assessments may be enforced and foreclosed in any way permitted by applicable law. Such action may be taken in the name of the Board of Directors, or the applicable Executive Committee, or the Managing Agent, if any, acting on behalf of the Association, or the various Committees, as applicable. During the pendency of such suit, the Unit Owner shall be required to pay a reasonable rental for the Unit for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale.

(d) Remedies Cumulative. A suit to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

**ARTICLE XVII
AMENDMENTS**

17.1 Amendments. Amendments to these Bylaws shall be proposed and adopted in the following manner. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of either 67 % of the Members, or by a vote of the majority of the Members of each of the Subassociations. The notice of the meeting shall set forth the proposed amendment or a summary of the changes to be effected thereby. Notwithstanding that the original Bylaws of the Association are recorded in the Dare County Registry, amendments hereto are not required to be recorded in the public registry in order to be effective; however, any amendment hereto which requires the consent of Declarant shall only be effective upon execution of a written amendment executed by Declarant, and any amendment requiring the consent of the Unit Owners shall only be effective upon execution of a written amendment by the percentage of members required above.

**ARTICLE XVIII
NON PROFIT CORPORATION**

18.1 Nonprofit Status. The Association is not organized for profit. No Member of the Association, member of the Board of Directors, or person from whom the Association may receive any property or funds will receive or will be lawfully entitled to receive any pecuniary profit from the operations of the Association, and in no event will any part of the funds or assets of the Association be paid as a dividend or be distributed to, or inure to the benefit of, any member of the Board of Directors.

**ARTICLE XIX
GENERAL PROVISIONS**

19.1 Notices. All notices, demands, bills, and statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or sent by United States mail, postage prepaid, or if notification is of a default or lien, sent by registered or certified United States mail, return-receipt requested, postage prepaid, (i) if to a Unit Owner, at the address which the Unit Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Unit of such Unit Owner, or (ii) if to the Association, the Board of Directors or to the Managing Agent, at the principal office of the Association or at such other address as shall be designated by notice in writing to the Unit Owners pursuant to this Section. If a Unit is owned by more than one person, each such person who so designated an address in writing to the Secretary shall be entitled to receive all notices hereunder.

19.2 Conflicts of Documents. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles will control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration will control.

19.3 Use of Electronic Mail or Meeting. Any action or vote which may be taken or entered by a Director, Unit Owner or Member in person, or by proxy, other than a vote on amendment of the Declaration, may, in the alternative, be accomplished by the use of electronic mail or electronic meeting utilized in accordance with rules promulgated by the Board of Directors establishing reasonable safeguards as to the genuineness of the action and notice to the other participants. The action shall be evidenced by a written record describing the action taken, signed before or after such action by all members utilizing said method, and delivered to the corporation for inclusion in the minutes or filing with the corporate records.

19.4 Dissolution. The Association may be dissolved only after termination of the Condominium in accordance with the terms of the Declaration and the creation and execution of a plan of dissolution which is in full compliance with all terms of the North Carolina Nonprofit Corporation Act. Any Association assets remaining after satisfying all Association debts will be distributed in accordance with the plan of dissolution and in a manner complying with the North Carolina Nonprofit Corporation Act.

19.5 Construction. These Condominium Instruments are intended to comply with all of the applicable provisions of the Condominium Act and shall be so interpreted and applied. The failure to comply strictly with the time periods required by the Condominium Instruments, unless also required by the Condominium Act, shall not invalidate any action of the Board of Directors, the Association or any Subassociation in the absence of a written objection by the Declarant or a Unit Owner within ten (10) days after the failure to comply. Should any of the terms of these Bylaws conflict with any of the provisions of the Act, the provisions of the Act shall control unless the Act permits these Bylaws to override the Act, in which event these Bylaws shall control. In case of any conflict between the provisions of these Bylaws and the Declaration, the Declaration shall control. If any term, provision, limitation, paragraph or clause of these Bylaws or application thereof to any person or circumstance is judicially held to be invalid, such determination shall not affect the enforceability, validity or affect the remainder of these Bylaws, or the application thereof to any other person or circumstance.

19.6 Unit Owners and Members. Unit Owners refers to the holders of the real estate title to the individual Condominium Units. Members refers to the Unit Owners acting in their capacity as Members of the Association. Wherever the context requires, reference so the Unit Owners in one capacity shall be understood to also refer so them in their other capacity.

CERTIFICATION

I, the undersigned, do hereby certify:

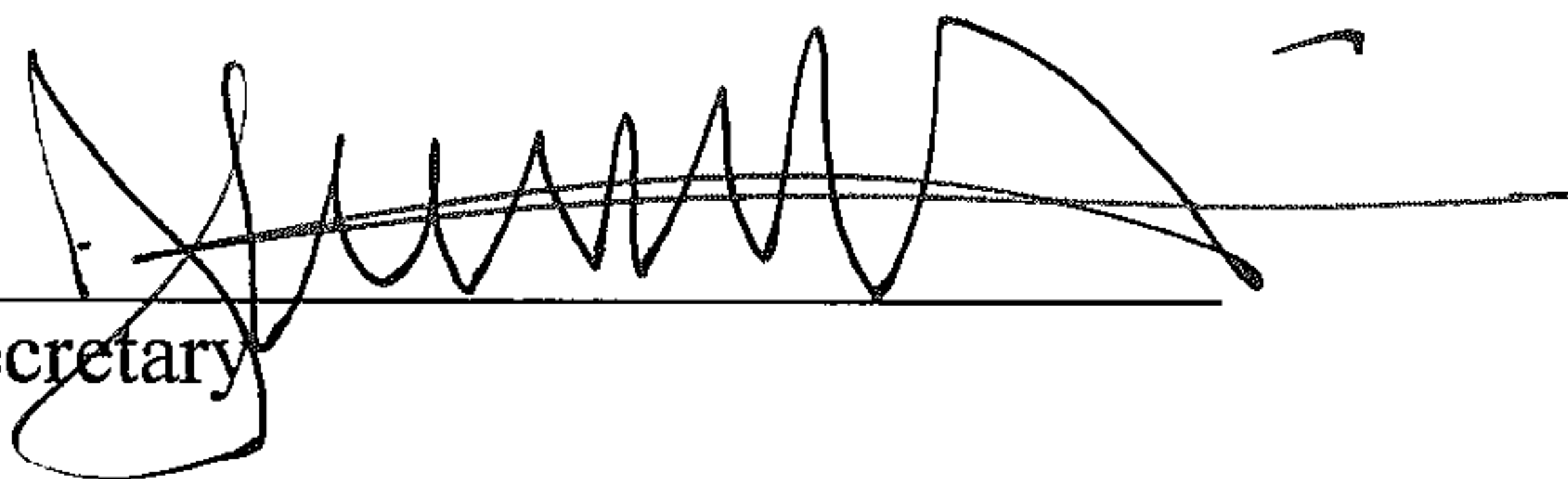
THAT I am the duly elected and acting Secretary of Waves Village Unit Owners' Association, Inc., a North Carolina corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted by written consent of all directors of the Association, effective as of the date hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association, this 24 day of March, 2021.

BY:

Secretary



NORTH CAROLINA
DARE COUNTY

I, DEBORAH S. WITTERS a Notary Public of the aforesaid County and State do hereby certify that JOHN M. HARRIS, Secretary of Waves Village Unit Owners' Association, Inc., a North Carolina corporation, appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and notarial seal this 2ND day of MARCH, 2021.

Notary Public

DEBORAH S. WITTERS

My Commission Expires: 07/07/2025

(SEAL)



UNOFFICIAL Document

UNOFFICIAL Document

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