

BYLAWS
OF
REGENCY CONDOMINIUM OWNERS
ASSOCIATION, INC.

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BYLAWS
OF
REGENCY CONDOMINIUM OWNERS
ASSOCIATION, INC.

The following are the Bylaws of REGENCY CONDOMINIUM OWNERS ASSOCIATION, INC., hereinafter referred to as the "Association," a not for profit corporation under the laws of the State of Alabama, formed for the purpose of managing and operating a certain condominium located in Baldwin County, Alabama, known as Regency Condominium, hereinafter referred to as the "Condominium."

The provisions of the Bylaws are applicable to the entirety of the Condominium property.

All present or future owners, tenants and their employees, and any other persons or entities that might use the facilities of Regency Condominium in any manner, are subject to the regulations and provisions set forth in these Bylaws and to the Rules and Regulations established and promulgated by the Association of Unit Owners pursuant to the Bylaws and the Condominium Declaration.

The mere acquisition or rental of any of the units of Regency Condominium or the mere act of occupancy of any said Units will signify that these Bylaws and the provisions of the Declaration and any Rules and Regulations are accepted, ratified and will be complied with.

ARTICLE I
PRINCIPAL OFFICE

The principal office of the Association shall be at 1574 Gulf Shores Parkway, Gulf Shores, Alabama, or at such other place as may be designated subsequently by the Board of Directors or as the business of the corporation may require. All books and records of the Association shall be kept at its principal office. The mailing address of the Association shall be Post Office Box 1858, Gulf Shores, Alabama 36542.

ARTICLE II
DEFINITIONS

2.01. Declaration Defined. "Declaration" shall mean that certain Declaration of Condominium of Regency Condominium filed in the Office of the Judge of Probate of

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Baldwin County, State of Alabama, as the same may be amended from time to time in accordance with the terms thereof.

2.02. Other Terms Defined. Other terms used herein shall have the meaning given to them in the Declaration and are hereby incorporated by reference and made a part hereof.

ARTICLE III MEMBERSHIP

3.01. Qualification. The sole qualification for membership shall be ownership of a Unit in the Condominium. No membership may be separated from the Unit to which it is appurtenant.

3.02. No Additional Qualifications. No initiation fees, costs or dues shall be assessed against any person as a condition of the exercise of the rights of membership except such assessments, levies, and charges as are specifically authorized by the Declaration.

3.03. Succession. The membership of each Unit Owner shall automatically terminate on the conveyance, transfer, or other disposition of a Unit Owner's interest in the Unit. The Unit Owner's membership shall automatically be transferred to the new Unit Owner succeeding to such ownership interest. On the conveyance, transfer, or other disposition of a portion of a Unit Owner's interest in a Unit, the transferring Unit Owner and the transferee shall each be members of the Association in accordance with the ownership interest of each following such conveyance or transfer.

3.04. Certificates of Membership. The Corporation shall issue no shares of stock of any kind or nature whatsoever.

ARTICLE IV MEETINGS OF MEMBERS

4.01. Annual Meeting. The annual meeting of the members shall be held on the date, at the place, and at the time, as determined by the Board of Directors from time to time, provided that there shall be an annual meeting every calendar year and not later than thirteen months after the last preceding annual meeting. The purpose of the annual

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meeting shall be to elect the Directors, and to transact any other business authorized to be transacted by the Members or stated in the notice of the meeting sent to the Members in advance thereof.

4.02. Special Meeting. Special meetings of the Members may be called at any time by a majority of the Board, or on receipt by the Board of a written request of Members representing at least Twenty-five (25%) percent of the total voting power of the Association. The business conducted at a special meeting shall be limited to that stated in the notice of the meeting.

4.03. Notice of Meeting. Notice of all meetings of Members shall state the time and place of the meeting and the objects for which the meeting is called. Notices shall be prepared and delivered by or at the direction of the Secretary, and may be delivered either personally or by mail to a Member at the address given to the Board by said Member, or to the Member's Unit if no such address has been given to the Board. Notice of the annual meeting shall be mailed or delivered to each Member not less than Ten (10) days prior to the meeting, and notice of a special meeting shall be mailed or delivered to each Member not less than Seven (7) days prior to the meeting. No notices of annual or special meetings shall be mailed or delivered more than Sixty (60) days prior to such meeting. A copy of the notice of any meeting of Members shall also be posted in a conspicuous place on the Condominium Property at least seven (7) days prior to the meeting. Proof of such notice shall be given by the affidavit of the person giving the notice.

4.04. Waiver of Notice. Any Member may waive the right to receive notice of the annual meeting by sending a written waiver to the Board of Directors. Notice of specific meetings may be waived before or after the meeting, orally or in writing. Attendance by a Member at an annual or special meeting, either in person or by proxy, shall constitute waiver of notice of such meeting.

4.05. Quorum. A quorum of Members for any meeting shall be deemed present throughout such meeting if Members, represented in person or by proxy, holding more than one-half ($\frac{1}{2}$) of the votes entitled to be cast at such meeting are present at the beginning of such meeting, except as otherwise provided by law, by the Articles of Incorporation, by the Declaration of Condominium, or by these Bylaws.

4.06. Adjournment for Lack of Quorum. In the absence of a quorum at any meeting of Members, a majority of those Members entitled to vote thereat, present in person or by proxy, shall have the power to adjourn the meeting, from time to time, without notice other than announcement of the

meeting, until the requisite number of members, present in person or by proxy, shall be present. At such adjourned meeting at which the requisite number of votes shall be present, any business may be transacted which might have been transacted at the meeting as originally noticed.

4.07. Action Without Meeting. Any action which may be taken at a meeting of the Members may also be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by the number of Members required to take such action at a meeting, and is filed with the Secretary of the Association.

4.08. Minutes of Meeting. The minutes of all meetings of Members shall be kept in a book available for inspection by Unit Owners or their Authorized representatives.

4.09. Proviso. Provided, however, that until four (4) months after the Developer/Declarant of the Condominium has completed and sold 75% of the units of the Condominium, or until five (5) years from the conveyance of the first Unit, or until Developer/Declarant elects to terminate its control of the Condominium, whichever shall first occur, there shall be no meeting of members of the Association unless a meeting is called by the Board of Directors.

ARTICLE V MEMBER'S VOTING RIGHTS

5.01. Number of Votes. The aggregate number of votes for all members shall be the total number of votes appertaining to all units in all phases which have been properly submitted to the condominium form of ownership. In any meeting of Members, each Member shall be entitled to one vote for each Unit owned. If more than one person owns an interest in any Unit, all such persons shall be members, but the Unit shall be entitled to only one vote. The vote of a Unit shall not be divisible. The vote for a Unit with more than one owner shall be exercised as they among themselves determine, or in accordance with the provisions of Paragraph 5.04 below.

5.02. Vote Required to Transact Business. When a quorum is present, the holders of a majority of the voting rights present, in person or by proxy, shall decide any question brought before the meeting, unless the question is one on which, by express provision of the Act or the Condominium Documents, a different number is required.

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5.03. Designation of Voting Member. If a Unit is owned by more than one person, the person entitled to cast the vote or votes for the Unit may be designated by a certificate signed by all of the record owners of the unit and filed with the Secretary of the Association. If a Unit is owned by a corporation, partnership, trust, or other legal entity, the person entitled to cast the vote or votes for the Unit must be designated by a certificate of appointment signed by a duly authorized representative of the entity and filed with the Secretary of the Association. Such certificates shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the Unit involved. A certificate may be revoked by any owner of an interest in the Unit.

5.04. Failure to Designate a Voting Member. If a Unit is owned by more than one person and they do not designate a voting member, the following provisions shall apply:

(1) If more than one such owner is present at any meeting, and they are unable to concur in a decision on any subject requiring a vote, they shall lose their right to vote on that subject at that meeting, however, said vote or votes shall be included in the determination as to the present of, or lack thereof, of a quorum.

(2) If only one such owner is present at a meeting, that person shall be entitled to cast the vote or votes pertaining to the Unit.

(3) If more than one such owner is present at the meeting, and they concur, any one such owner may cast the vote or votes for the Unit.

5.05. Voting by Proxy. Votes may be cast in person or by proxy. All proxies must be in writing, dated, signed by the Member generating the proxy, and filed with the Secretary of the Association before the appointed time of any meeting to which it applies. A Member may revoke a proxy at any time by delivering a written notice of revocation to the Association.

5.06. Conditional Proxy. The granting of a mortgage on a unit by its owner(s) shall be construed as conferring upon the mortgagee a conditional proxy to cast the vote or votes attributable to such unit at any regular or special meeting of the Association. The condition of such proxy shall be notice by such mortgagee to the Association, in writing, of its intent to exercise the conditional proxy rights granted to it, as mortgagee, by the terms of this subparagraph. In the absence of such written notice, the

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Association shall be entitled to recognize the Unit Owner(s) of mortgaged units as fully entitled to cast the vote or votes attributable to their unit. However, once such written notice is received by the Association, the mortgagee's right to cast the vote or votes attributable to that unit shall be recognized by the Association until the mortgagee withdraws its intent to cast such votes, in writing, or until the mortgage is paid in full and satisfied of record, whichever first occurs.

ARTICLE VI BOARD OF DIRECTORS

6.01. Number. The affairs of this Association shall be managed by a Board of Directors, consisting of no less than Three (3) persons and no more than Eleven (11) persons in number. The initial number of Directors shall be three (3) and shall remain at that number until changed by the Unit Owners.

6.02. Qualification. Except for Directors appointed by the Developer, each Director shall be a Unit Owner. If a Unit Owner is a trust, then the beneficiary of the trust may be a Director; and if a Unit Owner is a corporation or partnership, then an officer, partner, or employee of such Unit Owner may be a Director. If a Director shall cease to meet such qualifications during his term, he shall cease to be a Director and his place on the Board shall be deemed vacant.

6.03. Appointment by Developer. The initial Board of Directors, as well as successor Directors, shall be appointed by the Developer/Declarant, and may be removed by the Developer/Declarant at any time. The Developer/Declarant shall have the right to appoint and remove Directors until such right is voluntarily relinquished by a recorded amendment to the Declaration, or until five (5) years from the conveyance of the first unit or until four (4) months after the Developer/Declarant has completed and sold 75% of the units of the Condominium, whichever occurs first. The Directors appointed by the Developer need not be Unit Owners.

6.04. Nomination for Election. Nomination for election to the Board of Directors shall be made from the floor at the annual meeting of Members or at any other meeting of Members called for the purpose of electing Directors. Nominations shall also be made by a nominating committee appointed by the Board prior to the annual meeting of the Members or prior to any other meeting of members called for the purpose of electing Directors.

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6.05. Initial Election of Directors. Within ninety (90) days after the Unit Owners are entitled to elect one or more Directors, the Association shall call a meeting of the Members to elect the Director. The Association shall give not less than ten (10) days nor more than sixty (60) days notice of the meeting to each Member. The meeting may be called and the notice may be given by any Unit Owner if the Association fails to do so. The election shall be conducted in the manner specified in Paragraph 6.06.

6.06. Election of Directors. Directors shall be elected at the annual meeting of Member, or at a special meeting called for that purpose. The election shall be by secret ballot (unless dispensed with by unanimous consent), and each member shall be entitled to vote for each vacancy. There shall be no cumulative voting. Those candidates receiving the greatest number of votes cast either in person or by proxy shall be elected. At the initial election, the candidate receiving the most votes shall serve a two (2) year term, and the next two candidates receiving the most votes shall serve one (1) year terms. At subsequent annual elections, the two (2) vacancies shall be filled as follows: two (2) directors shall be elected with the candidate receiving the most votes to serve a two (2) year term and the remaining candidate elected to serve a one (1) year term.

6.07. Term. Each Director elected by the Members shall hold office until the next annual meeting of Members, and until his successor shall be elected and qualified, or until he resigns or is removed in any manner provided elsewhere herein. Each Director appointed by the Developer shall hold office until he resigns, is removed by the Developer, or his term expires as provided in Paragraph 6.03.

6.08. Vacancies. Any vacancy in the position of a Director elected by the Members of the Association shall be filled by a majority vote of the remaining Directors, and any Director so elected shall hold office for a term equal to the unexpired term of the Director whom he succeeds. Any vacancy in the position of a Director appointed by the Developer shall be filled by the Developer.

6.09. Removal. Any Director may be removed for cause by the concurrence of two-thirds (2/3) of the votes of the Association at a special meeting of the Members called for that purpose. The vacancy in the Board of Directors so created shall be filled by the Members at the same meeting.

6.10. Compensation. A Director shall not receive any compensation for any service he may render to the Association as a Director; provided, however, that any Director may be reimbursed for actual out-of-pocket expenses incurred by him in the performance of his duties.

6.11. Proviso. Provided, however, that until four (4) months after the Developer/Declarant of the Condominium has completed and sold 75% of the units of the Condominium, or until five (5) years from the conveyance of the first unit, or until Developer/Declarant elects to terminate its control of the Condominium, whichever shall first occur, there shall be no meeting of members of the Association unless a meeting is called by the Board of Directors.

ARTICLE VII MEETINGS OF DIRECTORS

7.01. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly at such place, and at such time and date as the Board shall designate. Notice of the regular meetings shall be given to each Director, personally or by mail, telephone, or telegraph, and shall be transmitted at least fourteen (14) days prior to the meeting.

7.02. Special Meetings. Special meetings of the Directors may be called by the President at any time, and must be called by the President or Secretary at the written request of a majority of the Directors. A notice of the meeting stating the time, place and purpose of the meeting shall be given to each Director, personally or by mail, telephone, or telegraph, at least Three (3) days prior to the meeting.

7.03. Open Meetings. All meetings of the Board of Directors shall be open to all Members of the Association, and notice of such meetings shall be posted conspicuously on the Condominium Property at least forty-eight (48) hours prior to the meeting, except in the event of an emergency.

7.04. Waiver of Notice. Any Director may waive notice of a meeting either before or after the meeting, or may consent to the holding of a meeting without notice. Attendance by any Director at a meeting shall constitute waiver of notice of that meeting, except when attendance is for the express purpose of objecting at the beginning of the meeting to the transaction of business on the grounds that the meeting was not lawfully called.

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7.05. Quorum. A quorum shall consist of the Directors entitled to cast a majority of the votes of the entire Board of Directors. The acts of the Directors approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such a Director for the purpose of determining a quorum.

7.06. Action Without Meeting. Any action permitted or required to be taken at a meeting of the Directors may be taken without a meeting if written consent setting forth the action so taken shall be signed by all the Directors, and filed with the minutes of the proceedings of the Board.

7.07. Minutes of Meetings. The minutes of all meetings of the Board of Directors shall be kept in a minute book available for inspection by Unit Owners, or their authorized representatives, or by Directors at any reasonable time.

ARTICLE VIII POWERS AND DUTIES OF THE DIRECTORS

8.01. Specific Powers. The Board of Directors shall have the power to exercise all powers, duties, and authority vested in the Association by the Act, the Declaration, or these Bylaws, except for such powers and duties reserved thereby to the Members or the Developer. The powers and duties of the Board shall include, but shall not be limited to, the following:

(1) To elect and remove officers of the Association as hereinafter provided.

(2) To administer the affairs of the Association and the Condominium Property.

(3) To maintain bank accounts on behalf of the Association and to designate signatories required therefore.

(4) To sell, lease, mortgage, or otherwise deal with Units acquired by the Association.

(5) To pay the cost of all taxes and utilities assessed against the Condominium that are not assessed and billed to the owners of individual Units.

(6) To borrow money on behalf of the Association when required in connection with the operation, care, upkeep, and maintenance of the Common and Limited Common Elements, provided, however, that the consent of at least two-thirds (2/3) of the votes of the Members, obtained at a meeting

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duly called and held for such purpose in accordance with the provision of these Bylaws, shall be required for the borrowing of such money.

(7) To estimate the amount of the annual budget and to make, levy, enforce, and collect Assessments against Unit Owners to defray the costs, expenses, and losses of the Condominium, and to provide adequate remedies for failure to pay such assessments.

(8) To use the proceeds of Assessments in the exercise of its powers and duties.

(9) To maintain, repair, replace, and operate the Condominium Property, including the reasonable right of entry upon any unit to make emergency repairs and to do other work reasonably necessary for the proper maintenance and operation of the project and the right to grant permits, licenses, and easements over the common areas for utilities, roads, and other purposes reasonably necessary or useful for the proper maintenance or operation of the project.

(10) To purchase insurance on the Property, and to purchase insurance for the protection of the Association and its Members, and the members of the Board of Directors and Officers of the Association.

(11) To reconstruct improvements after casualty and to further improve the Property.

(12) To make and amend reasonable Rules and Regulations respecting the use of the Property and the operation of the Condominium.

(13) To enforce by legal means the provisions of the Act, the Declaration, the Articles of Incorporation, these Bylaws, and the Rules and Regulations for the use of the Property.

(14) To contract for the management of the Property and to delegate to such managing agent all powers and duties of the Association except such as are specifically required by the Declaration to have approval of the Board of Directors or the membership of the Association.

(15) To contract for the management or operation of portions of the Common and Limited Common Elements of the Condominium susceptible to separate management or operation, and to lease such portions.

(16) To retain attorneys and accountants.

(17) To employ personnel to perform the services required for proper operation of the Condominium.

(18) To purchase a Unit of the Condominium for the purposes authorized in the Declaration.

(19) To maintain a class action and to settle a cause of action on behalf of owners with reference to the Common and Limited Common Elements, the roof and structural components of a building or other improvement, and mechanical,

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electrical and plumbing elements serving an improvement or a building as distinguished from such elements serving only one (1) unit; and to bring an action and to settle the same on behalf of two (2) or more of the owners, as their respective interests may appear, with respect to any cause of action relating to the Common or Limited Common Elements or more than one (1) condominium unit; all as the Board deems advisable.

(20) To procure such fidelity bonds, as the Board deems advisable, covering officers and employees of the Association handling and responsible for the Association's funds and personal property, and to procure Directors' and Officers' liability insurance, if the Board deems it advisable, and the premiums of such bonds and insurance shall be paid by the Association as common expenses.

8.02. Committees. The Board of Directors may, by resolution, appoint such committees as deemed appropriate in carrying out its purpose, and such committees shall have the powers of the Board of Directors for the management of the affairs and business of the Association to the extent provided in the resolution designating such a committee. Any such committee shall keep regular minutes of its proceedings and shall report the same to the Board of Directors.

8.03. Managing Agent. The Board of Directors shall be authorized to employ the services of a manager or managing agent, who may either be a Director, Officer, or employee of the Association, or an independent person or firm qualified to manage the Property and affairs of the Condominium under the supervision of the Board. The compensation paid to any such manager or managing agent shall be in the amount established from time to time by the Board.

ARTICLE IX OFFICERS

9.01. Election. The executive officers of the Association shall be a President, a Vice-President, a Secretary, and a Treasurer. The officers shall be elected annually by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

9.02. Term. Each officer shall hold office for the term of one year and until his successor shall have been appointed or elected and qualified, provided that any officer may succeed himself.

9.03. Special Appointments. The Board may appoint such other Officers as the affairs of the Association may

require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

9.04. Resignation and Removal. Any Officer may be removed from office either with or without cause by the vote of a majority of the Directors present at any meeting. Any Officer may resign at any time by giving written notice to the Board. Such resignation shall take effect on the date of receipt or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

9.05. Vacancies. A vacancy in any office shall be filled by a majority vote of the Directors at any meeting. An Officer elected to fill a vacancy shall hold office for term equal to the unexpired term of the Officer he succeeds.

9.06. Compensation. An Officer shall not receive any compensation for any service he may render to the Association as an Officer; provided, however, that any Officer may be reimbursed for actual out-of-pocket expenses incurred by him in the performance of his duties.

9.07. Duties of the President. The President, who shall be a Director, is the chief executive officer of the Association, and shall have all of the powers and duties that are usually vested in the office of president of a condominium association, including but not limited to the following powers:

- (1) To preside over all meetings of the Members and of the Board.
- (2) To sign as President all deeds, contract, and other instruments that have been duly approved by the Board.
- (3) To call meetings of the Board whenever he deems it necessary in accordance with the rules.
- (4) To have the general supervision, direction and control of the affairs of the Association.

9.08. Duties of the Vice-President. The Vice-President, who shall be a Director, shall have all of the powers and duties that are usually vested in the office of vice-president of a condominium association, including but not limited to the following powers:

- (1) To perform the duties and exercise the powers of the President, in the absence or disability of the President.
- (2) To assist the President in the exercise of his powers and the performance of his duties.

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9.09. Duties of the Secretary. The Secretary shall be a Director, shall have all of the powers and duties that are usually vested in the secretary of a condominium association, including but not limited to the following powers:

(1) To keep a record of all meetings and proceedings of the Board and of the Members.

(2) To keep the seal of the Association, if any, and affix it on all papers requiring said seal.

(3) To prepare and serve such notices of meetings to the Board and the Members required either by law or by these Bylaws.

(4) To keep current records showing the Members of the Association together with their addresses.

(5) To sign as Secretary all deeds, contracts, and other instruments which have been duly approved by the Board, if said instrument requires a second Association signature.

9.10 Duties of the Treasurer. The Treasurer shall be the financial officer of the Association, and shall have all powers and duties that are usually vested in the treasurer of a condominium association, including but not limited to the following powers:

(1) To receive and deposit in such bank or banks as the Board may from time to time direct, all of the funds of the Association.

(2) To be responsible for and supervise the maintenance of books and records to account for such funds and other Association assets.

(3) To disburse and withdraw said funds as the Board may from time to time direct, and in accordance with prescribed procedures.

(4) To prepare and distribute the financial statements for the Association.

(5) To prepare a record of all receipts and expenditures.

(6) To prepare an account for each unit, setting forth any shares of Common Expenses or Limited Common Expenses or other charges due, the due dates thereof, the present balance due and any interest in Common Surplus or Limited Common Surplus.

ARTICLE X FISCAL MANAGEMENT

10.01. Fiscal Year. The fiscal year of the Association shall be such as shall from time to time be established by the Association.

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10.02. Annual Budget. The annual budget of the Association shall be detailed and shall show the amounts budgeted by accounts and expense classifications. Expenses shall be estimated for each of the categories as set out in Exhibit A attached hereto and made a part hereof. The budget shall also include reserve accounts for capital expenditures, deferred maintenance, reserves, and contingencies, including, but not limited to: see Exhibit A attached hereto and made a part hereof. The amount reserved shall be computed by means of a formula that is based on the estimated life and estimated replacement cost of each reserve item. The budget shall also set forth each Unit Owner's proposed Assessment for Common and Limited Common Expenses.

10.03. Adoption of the Annual Budget. The Board of Directors shall prepare or cause to be prepared a proposed annual budget for each fiscal year of the Association. Each Unit Owner shall receive a copy of the proposed annual budget at least seven (7) days prior to the meeting of the Board at which the budget will be considered, and the meeting shall be open to all Unit Owners. The final annual budget shall be adopted by the Board at a duly noticed meeting, and the Board shall furnish copies of the final annual budget to each Unit Owner within Thirty (30) days after the adoption.

10.04. Assessments. Assessments shall be collected by the Association on a monthly basis as follows: On or before the first day of each month of the fiscal year for which the Assessments are made, each Unit Owner shall pay one-twelfth (1/12th) of his share of the Common and Limited Common Expenses for such year as shown by the annual budget. The assessments of the Common and Limited Common Expenses shall be as set forth in the Declaration, but the yearly assessment for each Unit Owner shall be in proportion to his respective ownership interests in the Common and Limited Common Elements. The Board of Directors may cause to be sent to each Unit owner, on or before the first day of each month, a statement of the monthly Assessment. However, the failure to send or receive such monthly statement shall not relieve the Unit Owner of his obligation to make timely payment of the monthly Assessment. If the Board shall not approve an annual budget or shall fail to determine new monthly Assessments for any year, or shall be delayed in doing so, each Unit Owner shall continue to pay the amount of his monthly Assessment as last determined. No Unit Owner shall be relieved of his obligation to pay his Assessment by abandonment of his Unit or lack of use of the Common or Limited Common Elements.

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10.05. Reserves for Replacements. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair, and replacement of improvements to the Common Areas and those Limited Common Areas which the Association may be obligated to maintain. The fund shall be maintained out of regular assessments.

10.06. Working Capital. In order to insure that the Association Board will have cash available to meet unforeseen expenditures or to acquire additional equipment or services deemed necessary or desirable, and to provide for the project's operation in the initial months of operation, there shall be established a working capital fund equal to two months assessments for each Unit. Each Unit's share of the working capital fund shall be collected and transferred to the Association at the time of closing of the sale of each Unit and maintained in an account for the use and benefit of the Association. Amounts paid into the fund shall not be considered as advance payment of regular assessments.

10.07. Lien for Expenses. If any Unit Owner shall fail or refuse to make any payment of the Common Expenses or Limited Common Expenses or other assessment when due, the amount due, together with costs, reasonable attorney's fees, and interest thereon at the maximum percentage rate as may then be permitted under the laws of the State of Alabama, from and after the date said Common Expenses, Limited Common Expenses or other assessments become due and payable in accordance with applicable law, shall constitute a lien on the interest of the Unit Owner in the Property.

10.08. Priority of Lien. Any lien of the Owners Association shall be subordinate to any lien for taxes, the lien of any mortgage of record and any other lien recorded prior to the time of recording of the claim of the Association's lien. A lien for Common Expense assessments shall not be affected by any sale or transfer of a Unit, except that a sale or transfer pursuant to a foreclosure of a first mortgage shall extinguish a subordinate lien for assessments which became payable prior to such sale or transfer. However, any such delinquent assessments which were extinguished pursuant to the foregoing provision may be reallocated and assessed to all of the Units as a common Expense. Any such sale or transfer pursuant to a foreclosure does not relieve the purchaser or transferee of a Unit from liability for, nor the Unit from the lien of, any assessments made thereafter.

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10.09. Acceleration of Assessment Installments. If a Unit Owner shall be in default in the payment of any installment of an annual Assessment for more than thirty (30) days, the Board may, upon notice thereof to the Unit Owner, accelerate all remaining monthly installments due for the balance of the term covered by the annual budget, and the same shall thereupon become immediately due and payable. Upon default in the payment of an installment upon any assessment, the Board shall be entitled to charge interest and service charges at the highest rate allowable under the Laws of the State of Alabama.

10.10. Default.

(a) In the event an owner of a unit does not pay any sums, charges or assessments required to be paid to the Association within thirty (30) days from the due date, the Association may foreclose the lien encumbering the unit created by non-payment of the required moneys in the same fashion as mortgage liens are foreclosed; provided that thirty (30) days prior notice of the intention to foreclose shall be mailed, postage prepaid, to the Unit Owner and to all persons having a mortgage lien or other interest of record in such unit as shown in the Association's record of ownership. The Association shall be entitled to the appointment of a Receiver, if it so requests. The Association shall have the right to bid in the unit at a foreclosure sale and to acquire, hold, mortgage and convey the same. In any such foreclosure action the lien of the Association shall be subordinate and inferior to tax liens in favor of the state, county, any municipality and any special district, and any first mortgage liens of record encumbering such unit at the time of the commencement of the foreclosure action by the Association. In lieu of foreclosing its lien, the Association may bring suit to recover a money judgment, brought by or on behalf of the Association against a Unit Owner, the losing defendant shall pay the cost thereof, together with a reasonable attorney's fee.

(b) If the Association becomes the owner of a unit by reason of foreclosure, it shall offer said unit for sale and at such time as a sale is consummated it shall deduct from such proceeds all sums of money due it for monthly assessments and charges, all costs incurred in the bringing of the foreclosure suit, including reasonable attorney's fees, and any and all expenses incurred in the re-sale of the unit, which shall include but not be limited to advertising expenses, real estate brokerage fees, abstract or title insurance costs, and expenses necessary

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for the repairing and refurbishing of the unit in question. All moneys remaining after deducting the foregoing items of expenses shall be returned to the former owner of the unit in question.

10.11. Supplemental Assessments. If during the course of any fiscal year, it shall appear to the Board that the monthly Assessments, as determined in the annual budget, are insufficient or inadequate to cover the estimated Common Expenses for the remainder of such year, then the Board shall prepare and approve a supplemental budget covering the estimated deficiency. Copies of the supplemental budget shall be delivered to each Unit Owner, and thereupon a supplemental Assessment shall be made to each Unit Owner for his proportionate share of the supplemental budget.

10.12. Annual Statement. Within Sixty (60) days after the end of each fiscal year, the Board shall cause to be furnished to each Unit Owner, a statement for the year so ended showing the receipts and expenditures of the Association, and such other information as the Board may deem desirable.

10.13. Accounting Records. The Board shall cause to be kept, in accordance with generally accepted accounting principles, a record of all receipts and expenditures; and a separate account for each Unit showing the Assessments or other charges due, the due dates thereof, the present balance due, and any interest in common surplus. Such records shall be open to inspection by Unit owners at reasonable times.

10.14. Information. The Association shall be required to make available to Unit Owners, lenders, and to holders, insurers or guarantors of any first mortgage, current copies of the Declaration, Bylaws, or other Rules and Regulations concerning the Project, and the books, records, financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances. In addition to the above, any holder of a first mortgage is entitled, upon written request, to a financial statement for the immediately preceding fiscal year.

10.15. Lender's Notices. Upon written request to the Owners Association, identifying the name and address of the holder, insurer or guarantor, and the unit number or address, any mortgage holder, insurer, or guarantor will be entitled to timely written notice of:

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(a) Any condemnation or casualty loss that affects either a material portion of the Project or the Unit securing its mortgage.

(b) Any 60-day delinquency in the payment of assessments or charges owed by the Owner of any Unit on which it holds the mortgage.

(c) A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Owner's Association.

(d) Any proposed action that requires the consent of a specified percentage of mortgage holders.

ARTICLE XI OWNER OBLIGATIONS AND COVENANTS

11.01 Assessments. Every owner of any unit in the Condominium shall constitute pro rate toward the expense of administration, maintenance, alteration, repair and improvement of the Condominium, as provided in the Articles, the Declaration or these Bylaws. Each assessment against a Unit shall also be the personal obligation of the Owner at the time the assessment fell due. Such personal obligation shall not pass to successors in title unless assumed by such successors, or required by applicable law.

11.02 Maintenance and Repair. Every owner of any unit in the Condominium shall promptly perform all maintenance and repair work, as provided in the Articles, the Declaration or these Bylaws. An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common areas or facilities damaged through the owner's fault.

ARTICLE XII RULES AND REGULATIONS

The Board of Directors may from time to time adopt, modify, amend, or add to rules and regulations concerning the use of the Condominium Property; provided, however, that a majority of the Members may overrule the Board with respect to any such rules and regulations or modifications thereof or any amendments or additions thereof. Copies of such rules and regulations, or any amendments, additions, or modifications, shall be delivered to each Unit Owner not less than Fourteen (14) days prior to the effective date thereof. No rule or regulation that is in conflict with the Condominium Documents shall be adopted.

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ARTICLE XIII
AMENDMENTS TO THE BYLAWS

13.01. Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting at which a proposed amendment is to be considered.

13.02. Adoption. The Board of Directors shall have the power to alter, amend, or repeal any of these Bylaws or to adopt new Bylaws by the affirmative vote of a majority of all of the Directors; provided, however, that any bylaw adopted by the Board may be altered, amended, or repealed, and new Bylaws may be adopted by the affirmative vote of at least Seventy-Five (75%) Percent of the total number of votes of all of the Members. The Members may prescribe in any bylaw adopted by them that such bylaw shall not be altered, amended, or repealed by the Board.

13.03. Prohibited Amendments. No amendment may be adopted that would eliminate, modify, prejudice, abridge, or otherwise adversely affect any rights, benefits, privileges, or priorities granted to the Declarant or any Institutional Mortgagee without the consent of the Declarant or the Institutional Mortgagee, as the case may be. No amendment that is in conflict with the Articles or the Declaration shall be adopted.

13.04. Recording. Any amendment shall become effective when recorded in the Office of the Judge of Probate of Baldwin County, Alabama, with these Bylaws in accordance with the Act.

ARTICLE XIV
MISCELLANEOUS

14.01. Construction. Wherever the context so permits, the singular shall include the plural, the plural shall include the singular, and the use of gender shall be deemed to include all genders.

14.02. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these Bylaws or the intent of any provision hereof.

14.03. Conflicts. In the event of any conflict between the provisions of these Bylaws and the Declaration, the Declaration shall govern.

14.04. Compliance. These Bylaws are set forth to comply with the requirements of the Alabama Nonprofit Corporation Act and the Alabama Condominium Ownership Act and shall be considered an appendage to the Declaration filed prior hereto in accordance with said Acts. In case any of these Bylaws conflict with the provisions of said statutes, it is hereby agreed and accepted that the provisions of the Acts will apply.

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BYLAWS
OF
REGENCY CONDOMINIUM OWNERS
ASSOCIATION, INC.

Exhibit A

Budgeted Accounts and Expense Classifications

Administrative Expenses:

Office Expenses and Supplies
Management Fees
Legal and Accounting

Operating Expenses:

Utilities
Trash and Garbage Removal
Exterminating

Repairs and Maintenance:

Decorating
Building Maintenance and Repairs
Lake Maintenance
Pool Maintenance and Repairs
Parking and Drive Maintenance and Repairs
Landscaping and Grounds Keeping
Miscellaneous

Fixed Expenses:

Insurance

Reserve Accounts

Paving
Roofing
Pool
Exterior Painting and Fixtures

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