

BY-LAWS
OF
THE GRANDE AT RANOCAS CREEK HOMEOWNERS ASSOCIATION, INC.

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BY-LAWS
OF
THE GRANDE AT RANCOCAS CREEK HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
NATURE OF BY-LAWS

1.01. Purpose. These By-Laws are intended to govern the administration of The Grande at Rancocas Creek Homeowners Association, Inc. (the "Association"), a non-profit corporation organized under Title 15A of the New Jersey Statutes Annotated, and provide for the management, administration, utilization and maintenance of the Property and certain other portions of the Community described in the Declaration of Covenants and Restrictions for The Grande at Rancocas Creek (the "Declaration"), and any amendments or supplements thereto.

1.02. Definitions. Unless the context clearly indicates otherwise, all definitions set forth in the Declaration for The Grande at Rancocas Creek are incorporated herein by reference.

1.03. Fiscal Year. The fiscal year of the corporation shall be determined by the Board of Trustees.

1.04. Principal Office. The principal office of the corporation is initially located at 20 Gibson Place, Freehold, New Jersey 07728.

ARTICLE II
MEMBERSHIP AND VOTING RIGHTS

2.01. Members. Every person, firm, association, corporation or other legal entity, including the Developer, who is a record Owner or Co-Owner of the fee simple title to any Town Home or any Condominium Unit in The Grande at Rancocas Creek Townhome Association or The

Grande at Rancocas Creek Condominium Association, respectively, shall be a Member of the Association; provided, however, that any person, firm, association, corporation, or legal entity who holds such title or interest to a Unit merely as a security for the performance of an obligation (including, but not limited to, mortgagees or trustees under deeds of trust) shall not be a Member of the Association. Each Owner of a Home shall also be a Member of the Association. Despite anything to the contrary in the preceding, the Developer shall have one (1) membership in the Association for each contemplated Home which has not been conveyed to an individual purchaser, not to exceed the number of Homes approved by the municipality.

2.02. Member in Good Standing. A Member shall be deemed to be in good standing for voting purposes, as well as any related requirement as may be established by the Board of Trustees, if, at least thirty (30) days prior to the date fixed for such meeting, he has fully paid all installments due for assessments made or levied against him and his Home by the Board of Trustees as hereinafter provided, together with all interest, costs, attorney's fees, penalties and other expenses, if any, properly chargeable to him and to his Home. Any date set forth in these By-Laws for determining good standing for voting purposes, as well as any related requirement which may be established by the Board of Trustees, shall be deemed supplemental to, and not in derogation of, the record date provisions of N.J.S.A. 15A:5-7.

2.03. Associate Members. Every person who is entitled to possession and occupancy of a Home as a tenant or lessee of an Owner pursuant to Article X of the Declaration may be an Associate Member of the Association, but shall not be entitled to any vote with respect to Association matters.

2.04. Change of Membership. Change of membership shall be accomplished by recording in the Office of the Burlington County Clerk a deed or other instrument establishing a record title to a Home, and delivery to the Secretary of the Association of a certified copy of such instrument, together with such sums of money as are required for the payment of any membership fee, contribution to capital or escrow deposit. The membership of the prior Owner shall be thereby terminated.

2.05. Rights of Membership. Every person who is entitled to membership in the Association and permanently resides in a Home, pursuant to the provisions of the Certificate of Incorporation and these By-Laws, including any Associate Member and all permanent occupants of any Home, shall be privileged to use and enjoy the Community Property, subject to the right of the Association to:

- (a) Promulgate, adopt and enforce rules and regulations governing such use and enjoyment; and
- (b) Suspend the use and enjoyment of the Community Property as provided in Section 2.06; and
- (c) Transfer, grant or obtain easements, licenses and other property rights with respect to the Community Property as provided in Section 6.01(k).

2.06. Suspension of Rights. The membership and voting rights of any member may be suspended by the Board of Trustees for any period during which any assessment against the Home to which his membership is appurtenant remains unpaid; but upon payment of such assessments, and any interest accrued thereon, by cash, money order, or certified or collected funds, his rights and

privileges shall be immediately and automatically restored. Section 2.02 hereof shall govern the restoration of voting rights. Further, if rules and regulations governing the use of the Community Property or Homes, or the conduct of persons in the Community thereon have been adopted and published, as authorized in these By-Laws, the rights and privileges of any person in violation thereof or in violation of any non-monetary covenant of the Declaration may be suspended at the discretion of the Board of Trustees for a period not to exceed thirty (30) days for any single violation, but if the violation is of a continuing nature, such rights and privileges may be suspended indefinitely until such time as the violation is abated. No such action shall be taken by the Board of Trustees until the Owner is afforded an opportunity for a hearing consistent with the principles of due process of law.

2.07. Association Membership Fee. Each Owner, excluding Developer, shall pay to the Association upon acquisition of title to his Home a nonrefundable and nontransferable Association membership fee of \$350.00, which fee may be used for (i) the off-set of cash flow or budget deficits, (ii) payment of operating expenses, (iii) repair and replacement and/or deferred maintenance reserve, and/or (iv) any other lawful purpose(s) permitted by the Governing Documents. Payment of such fee shall be a condition precedent to the exercise of membership rights in the Association upon the initial sale or a subsequent transfer of title to a Home. Any unpaid membership fee shall be deemed a lien on the Home in the same manner as any unpaid Common Expenses attributable to such Home.

2.08. Contribution to Working Capital. Each Owner, excluding Developer, shall pay to the Association upon acquisition of title to his Home a nonrefundable and nontransferable contribution to the working capital reserve, and may be used for working capital, of the Association in an amount equal to one-sixth (1/6) of the estimated or then current annual Common Expense

assessment for the Home (i.e. two (2) months of the monthly Common Expense assessment at the time of the acquisition) to provide the Association with a working capital reserve; provided, however, that for so long as a majority of the Trustees of the Association's Board of Trustees is appointed by the Developer, these funds may be used for working capital and/or the other purposes discussed in Section 2.07 herein. Payment of such sum shall be a condition precedent to the exercise of rights of membership in the Association upon the initial sale or a subsequent transfer of title to a Home. Any unpaid working capital contribution shall be deemed a lien on the Home in the same manner as any unpaid Common Expenses attributable to such Home.

2.09. Votes. Each Owner shall be entitled to such vote(s) for each Home to which he holds title as is provided in Section 6.01 of the Declaration. When more than one person holds title, the vote(s) for each Home shall be exercised as the Co-Owners themselves determine. When one or more Co-Owners signs a proxy or purports to vote for his or her Co-Owners, such vote(s) shall be counted unless one or more of the other Co-Owners is present and objects to such vote(s); or, if not present, submits a proxy or objects in a writing delivered to the Secretary of the Association before the vote(s) is counted. If Co-Owners disagree as to the vote(s), the vote shall be split equally among the Co-Owners.

Initially the Developer has five hundred and four (504) memberships in the Association, representing one membership for each Home or potential Home to which title has not been conveyed. Upon conveyance of title to a Home, each purchaser automatically becomes a Member of the Association. However, upon each conveyance of title of a Home by Developer to another Owner, such Owner shall become entitled to one vote for each Home purchased, and the number of votes held by Developer shall be reduced accordingly. Developer's votes shall be cast by

such persons as it may from time to time designate. Votes not held by Developer shall be cast in person or by proxy, as otherwise provided herein. It is understood that in the event that the number of Homes ultimately established upon the Property is more or less than five hundred and four (504), the number of votes in the Association shall be equal to the number of Homes established.

ARTICLE III

MEETINGS OF OWNERS

3.01. Place of Meetings. All meetings of the Members of the Association shall be held at the Community or at such other place convenient to the Members as may be designated by the Board of Trustees.

3.02. Annual Meetings. All annual meetings of the Association shall be held on the day and month of the year to be established by the Board of Trustees, except that the first such annual meeting shall be held not more than twelve (12) months following the Second Transition Election pursuant to Section 4.03. The election of Trustees shall take place at each annual meeting subsequent to the Transition Elections held in accordance with Section 4.03. If the election of Trustees is not held at the annual meeting or any adjournment of such meeting, the Board of Trustees shall cause the election to be held at a special meeting as soon thereafter as may be convenient. At such special meeting, the Owners may elect the Trustees and transact other business with the same force and effect as at an annual meeting duly called and held. All proxies validly received for the originally scheduled meeting shall remain in full force and effect for any such adjourned meeting or special meeting, and new proxies may be received for any such subsequent meeting.

3.03. Special Meetings. Following the Transition Elections, special meetings of Owners may be called by the President whenever he deems such a meeting advisable, or shall be

called by the Secretary upon the order of the Board of Trustees or upon the written request of Members representing not less than twenty-five (25%) percent of all the votes entitled to be cast at such meeting. Such request shall state the purpose(s) of such meeting and the matter(s) proposed to be acted upon. Unless Owners representing at least fifty (50%) percent of all votes entitled to be cast request such a meeting, no special meeting may be called to consider any matter which is substantially the same as a matter voted upon at any meeting of the Owners held during the preceding twelve (12) months, which determination shall be made in the sole and absolute discretion of the Board of Trustees.

3.04. Notice of Meeting. Except as otherwise provided by law and Section 4.03 herein with respect to transition elections, notice of each meeting of Owners, whether annual or special, shall be given not less than ten (10) days, nor more than ninety (90) days before the day on which the meeting is to be held, to each Owner at his last known address, by delivering a written or printed notice to each Owner, or by mailing such notice, postage prepaid. Every such notice shall state the time, place, and purpose of the meeting. Notice of any meeting of Owners shall not be required to have been sent to any Owners who shall attend such meeting in person or by proxy. Notice of any adjourned meeting of the Owners shall not be required to be given except when expressly required by law. Except as otherwise expressly required by law, no publication of any notice of a meeting of Owners shall be required.

3.05. Quorum and Adjourned Meetings. At such meeting of the Association, persons (including Developer or its representatives) holding twenty-five (25%) percent of the authorized votes present, in person or by proxy, shall constitute a quorum for the transaction of business except where otherwise provided by law. In the absence of a quorum, the person holding

votes present in person or by proxy and entitled to vote, may, by majority vote, adjourn the meeting from time to time, until a quorum shall be present or represented. At any such adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted at the meeting originally called.

3.06. Organization. At each meeting of the Association, the President, or, in his absence, the Vice President, or in the absence of both of them, a person chosen by a majority vote of the Members in Good Standing present in person or represented by proxy, shall act as a chairperson, and the Secretary, or in his absence, a person whom the chairperson shall appoint, shall act as Secretary of the meeting.

3.07. Voting On Questions. Only Owners who are Members in Good Standing shall be entitled to vote on questions. A majority of votes present in person or by proxy at any duly constituted meeting of the membership shall be sufficient on those questions submitted to a vote of the membership. The vote on any question need not be taken by ballot, unless (i) the chairperson of the meeting determines a ballot to be advisable, or (ii) a majority of the votes present at the meeting determine that the vote on the question submitted shall be taken by ballot.

3.08. Voting in Elections of Trustees. Only Owners who are Members in Good Standing shall be entitled to vote in elections of Trustees. The election of Trustees shall be conducted by written ballot, and the Owner(s) of each Home present in person or by proxy shall be entitled to one vote for each Home to which he holds title. If, at any meeting at which an election is held, more than twice the number of candidates to be elected are nominated, there shall be two ballots cast. At the end of the tabulation of the first ballot, the field of nominees shall be reduced so that there are twice as many candidates as there are positions to be filled, with the remaining candidates receiving

the fewest votes being eliminated from the ensuing ballot. A second ballot shall be held, and on the second ballot, the persons receiving the plurality of votes will be deemed to be elected in order to fill the vacant positions. If there are not more than twice the number of nominees for the number of positions to be filled, there shall be one ballot, with the persons receiving the highest numbers of votes being elected in order to fill the vacancies on the Board. If ever applicable, candidates polling the highest numbers of votes will be considered elected for the longest period of years. Election of Trustees at all meetings shall be in accordance with this Section 3.08.

3.09. Ballot by Mail. The Board, in lieu of calling a membership meeting, may submit any question or election to a vote of the membership by a ballot by mail. No ballot by mail shall be valid or tabulated unless the signature of the Owner(s) submitting the ballot has been verified on the ballot according to procedures adopted by the Board of Trustees, if any. The Board shall appoint judges to tabulate the ballot, whose report shall be included in the minute book. In order to conduct a ballot by mail for a question submitted to a vote of the membership, the Board of Trustees shall serve a notice upon all Members in Good Standing which shall (i) state with specificity in terms of motion(s) the question(s) upon which the vote is to be taken; (ii) state the date by which ballots must be received in order to be counted; (iii) provide an official ballot for the purposes of the vote; and (iv) state the date upon which the action contemplated by the motion(s) shall be effective, which date shall be not less than ten (10) days after the date ballots must be received. No actions contemplated by a motion or question submitted to a ballot by mail shall be taken unless that number of Members in Good Standing that would constitute a quorum under the provisions of Section 3.05 herein submit ballots and a majority of the ballots cast approve such motion or question.

In order to conduct a ballot by mail for an election of Trustees, the Board shall serve a notice upon all Members which shall (i) provide an official ballot for the purposes of the election; and (ii) state the date by which the ballot must be received to be counted.

3.10. Proxies. Proxy ballots shall be permitted with respect to (i) all elections of Trustees, (ii) all amendments to the Certificate of Incorporation, the Declaration or these By-Laws, (iii) or any other matter which properly comes before a meeting of the membership of the Association. Each proxy shall be in writing, signed by the individual Owners (or in the case of joint owners by any one of them), or by his or their duly authorized representative(s) and delivered to the Secretary of the Association, or such other person as the President may designate, at least 24 hours prior to the commencement of the meeting at which ballots are to be cast. Proxies may be revoked at any time prior to the opening of the polls, and no proxy shall be voted on after eleven (11) months from its date unless the proxy provides for a longer period, not to exceed three (3) years from the date of execution. All proxies shall be substantially in the form prescribed by the Board of Trustees, and if not in such form, shall be deemed invalid, which determination shall be made in the sole and absolute discretion of the Board of Trustees.

3.11. Judges. If at any meeting of the Owners a vote by ballot shall be taken, the chairperson of such meeting shall appoint two (2) persons to act as Judges with respect to the ballots. Each Judge so appointed shall first subscribe an oath to execute faithfully the duties of a Judge with strict impartiality and according to the best of his ability. Such Judges shall decide upon the qualifications of voters, shall report the number of votes represented at the meeting and entitled to vote on such question, shall conduct and accept the votes, and when the voting is completed, shall ascertain and report the number of votes respectively for and against the questions; but, as to the

election of Trustees, the number of votes received by each candidate need not be reported. Reports of Judges shall be in writing and subscribed and delivered by them to the Secretary of the meeting. The Judges need not be Members of the Association, and any officer or Trustee of the Association may be a Judge on any question other than a vote for or against his election to any position with the Association or any other question in which he may be directly interested.

3.12. Order of Business. The order of business at the annual meeting of the Owners or at any special meetings insofar as practicable shall be:

- (a) Calling of the roll and certifying the proxies.
- (b) Proof of notice of meeting and waiver of notice.
- (c) Reading and disposal of any unapproved minutes.
- (d) Appointment of Judges of Election, if appropriate.
- (e) Election of Trustees, if appropriate.
- (f) Receiving reports of officers.
- (g) Receiving reports of committees.
- (h) Old business.
- (i) New business.
- (j) Adjournment.

ARTICLE IV

BOARD OF TRUSTEES

4.01. Qualifications. The following criteria shall be qualifications for nomination, appointment or election to a Trusteeship:

- (a) Member in Good Standing: Membership in good standing and ownership of a Home shall be a qualification for nomination, appointment, election or service as a Trustee, and for continued service on the Board, excluding any Trustee representing the Developer.
- (b) Representation: Partnerships, corporations, limited liability companies or fiduciaries holding memberships in good standing may designate individuals to be eligible for nomination, appointment or election as Trustees in accordance with the following qualifications:
 - (i) Partnership designees shall be members, employees or agents of the partnership;
 - (ii) Corporate designees shall be officers, stockholders, employees or agents of the corporation; and
 - (iii) Limited liability company designees shall be members or managers of the limited liability company; and
 - (iv) Fiduciary designees shall be fiduciaries, officers, or employees of the fiduciary.

Co-Owners holding a membership in good standing may designate any one of them, but only one of them, to be eligible for nomination, appointment or election as a Trustee; however, in the case of any disagreement, the express consent of a majority of such Co-Owners shall be required for any one of them to be eligible.

- (c) Disqualification of Trustees. Any Trustee whose membership in the Association is not in good standing for thirty (30) consecutive days shall automatically be disqualified as a Trustee upon expiration of said thirty (30) day period and a replacement shall be appointed by the Board of Trustees within thirty (30) days thereafter to serve the remainder of the term as contemplated by Section 4.06 hereof.

Despite the aforesaid, any Trustee who conveys title to his Home and no longer holds title to any other Home is automatically disqualified as a Trustee effective on the date of said conveyance.

4.02. Number. The Board of Trustees shall initially consist of three (3) Trustees (Trustees "A", "B" and "C") designated by the Developer, none of whom need be Owners and each of whom shall serve until the First Transition Election, as hereinafter defined, of the Members. Thereafter, the Board shall consist of five (5) Trustees (hereinafter referred to as Trustees "A", "B", "C", "D", and "E").

4.03. Transition Elections. Within thirty (30) days after the initial conveyances by the Developer of one hundred and twenty-six (126) Homes (i.e. 25% of the total number of proposed Homes), the President shall call a special meeting of the Membership of the Association for the purpose of holding the first election of Owners to the Board of Trustees ("First Transition Election").

At this special meeting, Owners, other than Developer, shall be entitled to vote for and elect Trustees A and B from among such Owners in accordance with the provisions of Article III of these By-Laws, and the Developer shall be entitled to appoint Trustees C, D and E.

Within thirty (30) days after the initial conveyance by the Developer of three hundred and seventy-eight (378) Homes (i.e. 75% of the total number of proposed Homes), the President shall again call a special meeting of the Membership of the Association for the purpose of holding a Second Transition Election. At this special meeting, Owners, other than the Developer, shall be entitled to vote for and elect Trustees C, D and E from among such Owners in accordance with the provisions of Article III of these By-Laws and the Developer shall be entitled to appoint Trustee E for so long as any Homes remains unsold in the ordinary course of its business.

Within thirty (30) days after all Homes have been initially conveyed, the President shall again call a special meeting for the Third Transition Election at which Owners, other than the Developer, shall be entitled to vote for and elect Trustee E from among such Owners in accordance with the provisions of Article III hereof; provided that the Developer shall be entitled in its discretion to relinquish Trusteeship E at the time of the Second Transition Election or any time thereafter prior to the conveyance of the last Home. If at the time of the Second Transition Election, a Townhome Association or Condominium Association has been established for either the Town Homes or Condominium Units proposed for the Community, then the elected president, or their designee from among the elected Board members of each Association, shall serve as Trustees A and B respectively for the duration of their terms in office of each Association and the remaining Trustees C, D and E shall be elected by the Owners.

Upon conveyance of all Homes within the Community, the Owners of Single Family Dwellings will be entitled to elect Trustee E from among the Owners of Single Family Dwellings and Trustees C and D will be elected by the Community at large.

Despite the foregoing, if ten (10) years after the conveyance of the first Home, Owners, other than the Developer, still own less than 378 Homes, Owners, other than the Developer, may elect Trustees sufficient to assume control of the Board, provided that the Owners, other than the Developer, agree by majority vote to assume such control as provided by N.J.A.C. 5:26-8.4(d).

Further, only Owners who are Members in Good Standing shall be eligible to be nominated, elected, or to serve on the Board of Trustees, except that in the case of Owners which are partnerships, corporations, limited liability companies or fiduciaries, including Developer, a designee shall be eligible if the Owner is a Member in Good Standing.

Notice of the special meetings called pursuant to this Section for the purpose of holding Transition Elections shall be given not less than twenty (20) nor more than thirty (30) days prior to the date of the meeting.

Regardless of whether or not administrative control of the Board of Trustees has been surrendered to the Owners, as improvements to the Community are completed, the Developer shall have the right to cause same to be turned over to the Association at any time thereafter, at which time the Association shall assume responsibility for the repair and maintenance of same.

4.04. Term of Office. Developer-appointed Trustees A and B shall serve until their successors have been qualified and elected at the First Transition Election. Trustees A and B elected at the First Transition Election shall serve terms expiring at the annual meeting of the membership held in the second calendar year following the year in which the First Transition Election is held.

Trustees C, D and E shall be appointed to serve until their successors are elected at the Second Transition Election or the Owners' acceptance of the voluntary relinquishment of the Developer of control of the Board, if any, whichever occurs first. At said Second Transition Election, Trustees A, B, C, D and E shall be elected by Owners other than Developer subject, however to Developer's right to appoint Trustee E as provided for in Section 4.03 above. Trustees A, B and C shall serve a two-year term and Trustees D and E shall serve for an initial term of one (1) year. Thereafter, until the Third Transition Election, the term for Trustees C, D and E shall be for two (2) years; it being the purpose and intent hereof that Trustees A, B and C shall be elected in alternate years to Trustees D and E. However, at the Third Transition Election, the term of Trustees A and B shall expire and each President, or their designees from among the elected Board members of each Association, shall serve as Trustees A and B respectively for the duration of their terms in office of each Association.

4.05. Removal of Members of the Board of Trustees. At any duly held and constituted regular or special meeting of the Owners, any one or more elected Trustees may be removed with or without cause by vote of the majority of the Owners present, provided that the notice of the meeting expressly includes this item. A successor may then and there be appointed by a majority of the remaining Owner-elected Trustees to fill the vacancy thus created. Each person so appointed shall be a Trustee for the remainder of the term of the Trustee whose term he is filling and until his successor is duly elected and qualified. Any Trustee whose removal has been proposed shall be given an opportunity to be heard at the meeting. The failure of any Owner elected Trustee to be a Member in Good Standing for a period of thirty (30) days or more shall be grounds for removal without any vote of the Members. An Owner-elected Trustee cannot be removed except by a

majority vote of the Owners present other than the Developer. In the event that all of the Trustees are removed, successors shall be elected by the Owners, other than the Developer, in the manner set forth in Section 4.03 to fill the vacancies thus created. This Section 4.05 shall not apply to any Trustee appointed by the Developer or the ex-officio Trustees who serve during the respective terms as officers of the Townhome and Condominium Associations.

4.06. Vacancies. Vacancies of the elected members of the Board of Trustees caused by any reason other than the removal of a Trustee by a vote of the Owners shall be filled by a vote of a majority of the remaining Trustees, including the ex-officio Trustees, at a special meeting of the Board of Trustees held for that purpose promptly after the occurrence of any such vacancy. Each person so elected shall be a Trustee for the remainder of the term of the Trustee whose term he is filling and until his successor shall have been duly elected and qualified. Despite the foregoing, until the First Transition Election, the Developer shall have the right to fill all vacancies on the Board of Trustees by appointment. Owner-elected vacancies on the Board of Trustees shall only be filled by Owners other than the Developer, whether same be appointed pursuant to the provisions herein, or elected pursuant to the provisions of Section 4.05.

ARTICLE V

TRANSACTION OF BUSINESS BY THE BOARD OF TRUSTEES

5.01. Express and Implied Powers and Duties. The property, affairs and business of the Association shall be managed by the Board of Trustees, which shall have all those powers granted to it by the Certificate of Incorporation, the Declaration, these By-Laws, and by law.

5.02. Developer's Protective Provisions. After control of the Board of Trustees has become vested in Trustees elected by Members other than the Developer, and so long as the Developer owns at least one (1) Home and holds same for sale in the ordinary course of its business, the following shall apply:

- (a) Neither the Association nor its Board of Trustees shall take any action that will impair or adversely affect the rights of the Developer or cause the Developer to suffer any financial, legal or other detriment, including, but not limited to, any direct or indirect interference with the sale of Homes, or the assessment of the Developer for capital improvements or special assessments.
- (b) The Association and its Board of Trustees shall continue the same level of maintenance, operation and services as provided immediately prior to the assumption of control of the Association and the Board of Trustees by Members other than the Developer.
- (c) In furtherance of the foregoing provisions, the Developer shall have the right to veto any and all actions of the Association or the Board of Trustees which may have any direct or indirect detrimental impact upon the Developer as may be determined by the sole reasonable discretion of the Developer.
- (d) The Developer shall exercise its veto right, in its sole and absolute discretion, within ten (10) days after its receipt of notice that a resolution or other action is proposed or has been taken by the

Association or its Board of Trustees. In such event, the Developer shall notify the Secretary of the Association of its exercise of its veto right and any such proposal or action shall be deemed null and void ab initio and of no further force and effect.

The aforementioned protective provisions shall be construed in accordance with and not in derogation of N.J.A.C. 5:26-8.4 of the regulations promulgated pursuant to the New Jersey Planned Real Estate Development Full Disclosure Act, N.J.S.A. 45:22A-1 et seq., and same shall not be amended without the express written consent of the Developer.

5.03. Meeting of the Board; Notices; Waiver of Notice. The first meeting of the Board shall be held within ten (10) days after the first annual meeting of the Owners and at such time and place as shall be fixed by a majority of the Board. No notice shall be necessary. Thereafter, regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Board, but at least two (2) meetings shall be held each year. Notice of regular meetings of the Board shall be given to each Trustee by telephone, mail, or telegram at least three (3) days prior to the day of the meeting. Special meetings of the Board may be called by the President on three (3) days notice to each Trustee given by telephone, mail or telegram, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or the Secretary in like manner and on like notice on the written request of at least two (2) Trustees. Any Trustee may waive notice of any meeting of the Board in writing at any time, and such waiver shall be deemed equivalent to the giving of notice. Actual attendance by a Trustee at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all the Trustees are present at any meeting of the Board, no notice shall be required and any

business may be transacted at such meeting. In the discretion of the Board of Trustees and subject to the provisions of N.J.S.A. 45:22A-46 and N.J.A.C. 5:20-1.1, meetings of the Board of Trustees, or portions thereof, may be open to Members of the Association or other persons for observation or participation in such manner and to the extent as the Board of Trustees may deem appropriate.

5.04. Quorum and Adjourned Meetings. At all meetings of the Board of Trustees, a majority of the Trustees shall constitute a quorum for the transaction of business and the votes of a majority of the Trustees present and voting at a meeting at which a quorum is present shall constitute a valid decision. If, at any meeting of the Board, there shall be less than a quorum present, the Trustee present shall adjourn the meeting to a new date. At any such adjourned meeting at which a quorum is present, any business which may have been transacted at the original meeting may be transacted without further notice. The vote of a majority of those present at a Board meeting at which a quorum is present shall be necessary for valid action by the Board on any matter.

5.05. Joinder in Meetings by Approval of Minutes. Subject to the provisions of N.J.S.A. 45:22A-46 and N.J.A.C. 5:20-1.1, the transaction of any business at any meeting of the Board, however called and noticed, or wherever held, shall be as valid as if transacted at a meeting duly held after regular call and notice, if (i) a quorum is present; and (ii) either before or after the meeting, each Trustee signs a written waiver of notice, or a consent to the holding of the meeting, or an approval of the minutes thereof or of the resolution or act adopted at such meeting. All such waivers, consents or approvals shall be in writing and filed with the Secretary and made a part of the minutes of the meeting even though filed subsequent thereto.

5.06. Non-Waiver. All the rights, duties and privileges of the Board shall be deemed to be continuing and shall not be exhausted by any single act or series of acts. To the same extent,

the failure to use or employ any remedy or right hereunder or hereafter granted shall not preclude its exercise in the future nor shall any custom bind the Board.

5.07. Consent in Lieu of Meeting and Vote. Subject to the provisions of N.J.S.A. 45:22A-46 and N.J.A.C. 5:20-1.1, despite anything to the contrary in these By-Laws, the Certificate of Incorporation or the Declaration, the entire Board of Trustees shall have the power to take action on any matter on which it is authorized to act, without the necessity of a formal meeting and vote, if the entire Board, or all the Trustees empowered to act, whichever the case may be, shall consent in writing to such action.

5.08. Meetings Open to Owners: Notice. All Meetings of the Board of Trustees, except conferences or working sessions at which no binding votes are to be taken, shall be open to attendance by all Owners, subject to those exceptions set forth in N.J.S.A. 45:22A-46 and N.J.A.C. 5:20-1.1, as now or hereafter amended. The Board of Trustees may exclude or restrict attendance at those meetings, or portions of meetings, at which any of the following matters are to be discussed:

- 1) any matter the disclosure of which would constitute an unwarranted invasion of individual privacy;
- 2) any pending or anticipated litigation or contract negotiations;
- 3) any matters falling within the attorney-client privilege, to the extent that confidentiality is required in order for the attorney to exercise his ethical duties as a lawyer; or
- 4) any matter involving the employment, promotion, discipline or dismissal of a specific officer or employee of the Association.

Adequate written notice of the time, place and the agenda, to the extent known, of all such open meetings shall be given by the Board of Trustees to all Owners at least forty-eight (48) hours in advance of such meeting in the manner required by N.J.A.C. 5:20-1.2(b). Moreover, the Board of Trustees shall also within seven (7) days following the Annual Meeting of the Association post, mail to newspapers and file with the

administrator of the business office of the Association a schedule of the regular meetings of the Board of Trustees to be held in the succeeding year, as prescribed by N.J.A.C. 5:20-1.2(c) and make appropriate revisions thereto, all as required by N.J.A.C. 5:20-1.2(c)1.

ARTICLE VI

POWERS AND DUTIES OF BOARD OF TRUSTEES

6.01. General Powers and Privileges. Subject to the Declaration, the Association may do all that it is legally entitled to do under the laws applicable to its form of organization. The Association shall discharge its powers in a manner that protects and furthers the health, safety and general welfare of the residents of the Community. The Association shall provide a fair and efficient procedure for the resolution of disputes between individual Owners and the Association, and between different Owners, that shall be readily available as an alternative to litigation.

The property, affairs and business of the Association shall be managed by its Board of Trustees, which shall have all those powers granted to it by the Governing Documents and by law. The Board of Trustees shall have these powers, which include, but which are not necessarily limited, to the following, together with such other powers as may be provided herein or in the Declaration, or By-Laws, or which may be necessarily implied.

- (a) To employ, by contract or otherwise, a manager, managing agent or an independent contractor, to oversee, supervise and carry out the responsibilities of the Board. Such manager or independent contractor shall be compensated upon such terms as the Board deems necessary and proper; and

- (b) To employ any person, firm or corporation to repair, maintain or renovate the Property; to lay pipes or culverts; to bury utilities; to put up lights or poles; to erect signs and traffic and safety controls of various sorts on the Property; and
- (c) To employ professional counsel and to obtain advice from persons, firms or corporations such as, but not limited to, landscape architects, architects, engineers, lawyers and accountants; and
- (d) To employ or contract for water and sewer, electricity and gas or other forms of utilities, cable or master antenna television; and
- (e) To adopt, amend, and publish rules and regulations covering the details of the operation and use of the Property; and
- (f) To employ all managerial personnel necessary, or enter into a managerial contract, for the efficient discharge of the duties of the Board of Trustees hereunder; and
- (g) To arrange for security protection as necessary; and
- (h) To enforce obligations of the Owners and do anything and everything else necessary and proper for the sound management of the Property, including the right to bring or defend lawsuits to enforce the terms, conditions and restrictions contained in the Declaration, these By-Laws, or any Rules and Regulations; and
- (i) To borrow and repay monies giving notes, mortgages or other security upon such term or terms as it deems necessary; and

- (j) To invest and reinvest monies, sue and be sued, collect interest, dividends, and capital gains; exercise rights; pay taxes; make and enter into contracts; enter into leases or concessions; make and execute any and all proper affidavits for various purposes; compromise any action without leave of court; and all other powers contained herein, and those necessary and incidental thereto; and
- (k) To transfer, grant or obtain easements, licenses and other property rights with respect to the Property in a manner not inconsistent with the rights of Owners; and
- (l) To purchase or lease or otherwise acquire in the name of the Association or its designees, corporate or otherwise, on behalf of all Owners, Homes offered for sale or lease or surrendered by their Owners to the Board, provided that the foregoing shall not be construed to constitute a right of first refusal; and
- (m) To purchase Homes within the Community at foreclosure or other judicial sales in the name of the Association or its designees, corporate or otherwise, on behalf of all Owners; and
- (n) To sell, lease, mortgage (but not vote the votes appurtenant thereto) or otherwise deal with Homes acquired by the Association, and sublease any such Homes leased by the Association or its designees, on behalf of all Owners; and

- (o) To bring and defend actions by or against more than one Owner which are pertinent to the operation of the Property, the health, safety or general welfare of the Owners, or any other legal action to which the Owners may consent in accordance with these By-Laws; and
- (p) To appoint an Insurance Trustee, who shall not be a Member of the Association, an employee of the Developer, or the manager, who shall discharge his duties in accordance with these By-Laws. In the absence of such an appointment, the Board of Trustees shall be responsible for the disposition of all insurance proceeds; and
- (q) To create, appoint members to and disband such committees as shall from time to time be deemed appropriate or necessary to aid the Board of Trustees in the discharge of its duties, functions and powers; and
- (r) To establish an Architectural Review Committee as hereinafter provided in Article X; and
- (s) To establish an Alternative Dispute Resolution Committee as hereinafter provided in Article XI; and
- (t) To enter into agreements or other contracts for (i) the management of the Recreation Facility, (ii) the maintenance of any landscaped areas as described in the Declaration, and (iii) the provision of any services requested by the Townhome or Condominium Associations to be performed on their behalf.

6.02. Duties and Responsibilities. It shall be the affirmative and perpetual obligation and duty of the Board of Trustees to perform the following:

- (a) To cause the Community Property to be maintained according to accepted standards and as set forth in the Declaration. All repairs and replacements shall be substantially similar to the original application and installation and shall be of first class quality; and
- (b) To accept the responsibility for performing any responsibilities which are irrevocably delegated to the Association by either the Townhome Association or the Condominium Association pursuant to the By-Laws for such Associations; and
- (c) To investigate, hire, pay, supervise and discharge the personnel necessary to be employed, and provide the equipment and materials necessary, to properly maintain and operate the Community Property. Compensation for the services of such employees (as evidenced by certified payroll) shall be considered an operating expense of the Association; and
- (d) To cause to be kept a complete record of all its acts and corporate affairs and to present a summary report thereof to the Members at the annual meeting or at any special meeting when requested in writing at least twenty-one (21) days in advance by Members entitled to cast at least twenty-five (25%) percent of the total votes of the Association; and

- (e) To allocate common surplus or make repairs, additions, improvements to, or restoration of, the Community Property in accordance with the provisions of these By-Laws and the Declaration after damage or destruction by any casualty, or as a result of condemnation or eminent domain proceedings; and
- (f) To take such action as may be necessary to comply promptly with any and all orders or requirements affecting the premises maintained by the Association placed thereon by any federal, state, county or municipal authority having jurisdiction thereover, and order of the Board of Fire Underwriters or other similar bodies; and
- (g) To manage the fiscal affairs of the Association as provided in Article VII;
- (h) To place and keep in force all insurance coverages required to be maintained by the Association, applicable to its property and Members including, but not limited to:
 - (i) Physical Damage Insurance. To the extent available in the normal commercial marketplace, broad form insurance against loss by fire and against loss by lightning, windstorm and other risks normally included within all risk extended coverage, including vandalism and malicious mischief, insuring all Community Property and supplies belonging to the Association, and covering the interest of the Association, the

Board, the Developer, all Owners and any Mortgage Holder who has requested the Association in writing to be named as loss payee, as their respective interests may appear, in an amount equal to the full replacement value of the Community Property (exclusive of foundations and footings). The amount of any deductible and the responsibility for payment of same shall be determined by the Board, in its sole discretion.

- (ii) Public Liability Insurance. To the extent available in the normal commercial marketplace, public liability insurance for personal injury and death from accidents occurring within the Property (and any other areas which the Board of Trustees may deem advisable) and the defense of any actions brought by injury or death of a person or damage to property occurring within the Property and not arising by reason of any act or negligence of any individual Owner. Such insurance shall be in such limits as the Board of Trustees may, from time to time, determine, covering each Trustee, officer, the managing agent, the manager, and each Member, and shall also cover cross liability claims of one insured against another. Until the first meeting of the Board of Trustees following the first annual meeting, such public liability insurance shall be in a single limit of \$1,000,000.00 covering all claims for personal

injury or property damage arising out of any one occurrence.

The Board of Trustees shall review such limits once a year.

- (iii) Trustees and Officers Liability Insurance. To the extent available in the normal commercial marketplace, liability insurance indemnifying the Trustees and Officers of the Association against the liability for errors and omissions occurring in connection with the performance of their duties, in an amount of at least \$1,000,000.00, with any deductible amount to be in the sole discretion of the Board of Trustees.
- (iv) Workers Compensation Insurance. Workers compensation and New Jersey disability benefits insurance as required by law.
- (v) Vehicular liability insurance to cover all motor vehicles owned or operated by the Association.
- (vi) Flood hazard insurance covering damages to or destruction of the Community Property, if applicable.
- (vii) Other Insurance. Such other insurance as the Board of Trustees may determine.

All policies shall: (i) provide that adjustment of loss shall be made by the Board of Trustees; (ii) to the extent obtainable contain agreed amount and inflation guard endorsements; construction code endorsement; contingent liability from operation of building laws endorsement; demolition cost endorsement; and increased cost of construction endorsement; (iii) require that the proceeds of physical damage insurance be applied to the restoration of such Property and structural

portions and service machinery as required by the Declaration and these By-Laws; (iv) provide that the insurance will not be prejudiced by any act or omission of individual Members that are not under the control of the Association; (v) provide that the policy will be primary, even if insurance covering the same loss is held by any Member(s); (vi) to the extent obtainable contain waivers of subrogation and waivers of any defense based on co-insurance or of invalidity arising from any acts of the insured; and (vii) provide that such policies may not be cancelled without at least thirty (30) days prior written notice to all of the named insureds, including all Owners and Eligible Mortgage Holders.

All policies shall show the named insured as: "The Grande at Rancocas Creek Homeowners Association, Inc." and must require the insurer to notify in writing the Association and each Eligible Mortgage Holder or other entity named in the mortgagee clause at least thirty (30) days before it terminates or substantially changes the Association's coverage.

The Board of Trustees may determine, in its sole discretion, the amount of any deductible and the responsibility for payment of same as to any policy of insurance maintained under this subsection. Despite any other provisions of this subsection, the Association shall not be required to provide any type or amount of insurance not commonly available in the normal commercial marketplace.

The premiums for any and all insurance coverage maintained by the Association shall be a Common Expense of the Association.

In addition to the insurance required to be provided herein, Owners shall not be prohibited from carrying other insurance for their own benefit provided that all such policies shall contain waivers of subrogation; and, further provided that the liability of the carriers issuing insurance

obtained by the Board of Trustees shall not be affected or diminished by reason of any such additional insurance carried by any Owner.

ARTICLE VII

FISCAL MANAGEMENT

7.01. Budget: Common Expense Assessments. The Board of Trustees shall prepare an annual Common Expense budget which reflects the anticipated operating expenditures and repair and replacement reserve accumulation requirements for the next ensuing fiscal year of the Association. Common Expenses shall include, but are not limited to, the estimated costs for the operation, repair and maintenance of the Community Property, the estimated costs for the operation of the Association, and any reserves for deferred maintenance, replacement, or capital improvements of the Property. The Board of Trustees may collect or delegate collection to the proposed Townhome Association or Condominium Association from each Owner, his heirs, administrators, successors and assigns, as "Common Expense Assessments," the proportionate part of the Common Expenses assessed against such Owner as provided in the Declaration, the Certificate of Incorporation, these By-Laws, and in accordance with applicable law.

7.02. Determination of Common Expenses. The amount of monies for Common Expenses deemed necessary by the Board of Trustees and the manner of expenditure thereof, including, but not limited to, the allocation thereof, shall be a matter for the sole discretion of the Board of Trustees.

7.03. Disbursements. The Board of Trustees shall take and hold the funds as collected and shall disburse the same for the purposes and in the manner set forth herein and as required by the Declaration, Certificate of Incorporation, and applicable law.

7.04. Depositories. The depository of the Association shall be such a bank or banks as shall be designated from time to time by the Board of Trustees and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such parties as are authorized by the Board of Trustees, provided that a management agreement may include among its provisions authority for the manager to sign checks on behalf of the Association for payment of the obligations of the Association, if the proper fidelity bond is furnished to the Association.

7.05. Accounts. The receipts and expenditures of the Association shall be Common Expense Assessments and Common Expenses respectively, and shall be credited and charged to accounts under the following classifications as the Board of Trustees shall deem appropriate, all of which expenditures shall be Common Expenses:

- (a) Current expenses, which shall include expenditures within the year for which the budget is made, including reasonable allowances for contingencies and working funds. Current expenses shall not include expenditures chargeable to reserves. At the end of each year, the unexpended amount remaining in this account shall be applied to reduce the assessments for current expenses for the succeeding year or may be distributed to the current membership in the same manner as assessed, as the Board of Trustees shall determine.
- (b) Reserve for deferred maintenance, which shall include funds for maintenance items that occur less frequently than annually.

- (c) Reserve for replacement, which shall include funds for repair or replacement of the Community Property and those portions of the improvements located on the Community Property which the Association is obligated to maintain or repair which is required because of damage, depreciation or obsolescence. The amounts in this account shall be allocated among each of the separate categories of replacement items, which amounts and items shall be determined in the sole and absolute discretion of the Board of Trustees.
- (d) Reserves for capital improvements, which shall include the funds to be used for capital expenditures or for acquisition of additional personal property that will be part of the Community Property.
- (e) Operations, which shall include all funds from the use of the Community Property or from any other sources. Only the additional direct expense required by any revenue producing operation will be charged to this account, and any surplus from any operation or otherwise shall be used to reduce the assessments for current expenses for the succeeding year, or at the discretion of the Board of Trustees, distributed to the current membership in the same manner as assessed. Losses from operations or otherwise shall be met by special assessments against Owners, which assessments may be made in advance in order to provide a working fund.

- (f) Working capital, including those nonrefundable and nontransferable membership fees imposed upon each Owner upon acquisition of title to a Home pursuant to Section 2.07, which may be used by the Board of Trustees in its reasonable discretion to meet unanticipated or other expenses of the Association (but not in order to reduce the annual Common Expense assessment).
- (g) Bulk real estate tax reserve, which shall be those funds collected by the Association as Miscellaneous Assessments to enable the Association to pay to the Township of Delran those amounts estimated or assessed and billed as real estate taxes against the Community as a whole until such time as the Township of Delran assesses and bills all real estate taxes on a per unit basis.

The Board of Trustees shall not be required to physically segregate the funds held in the above accounts except for reserves for replacement and repair, which funds must be maintained in separate accounts. The Board of Trustees may, in its sole discretion, maintain the remaining funds in one or more consolidated accounts. As to each consolidated account, the division into the various accounts set forth above need be made only on the Association's records.

7.06. Reserves. The Board of Trustees shall not be obligated to spend all of the revenues collected in any accounting period and must maintain reasonable reserves for, among other things, repairs, replacements, emergencies, contingencies for bad weather or uncollected accounts. Despite anything herein to the contrary, the Board of Trustees in its determination of the Community Common Expenses and the preparation of a budget shall specifically designate and identify that

portion of the Common Expenses which is to be assessed against the Owners as a capital contribution and is allocable to reserves for each separate item of capital improvement of and to the Community Property. The amounts assessed and collected for the reserves shall be kept in one or more interest-bearing savings accounts, or certificates of deposit and shall not be utilized for any purpose other than that which was contemplated at the time of the assessment. The foregoing shall not be construed to mean that the Board of Trustees shall not be permitted to keep additional cash on hand, in a checking or petty cash account, for the necessary discharge of its functions.

7.07. Notice: Emergencies. The Board of Trustees shall give written notice to each Owner and Eligible Mortgage Holder of the amount estimated by the Board of Trustees for Common Expenses for the management and operation of the Association for the next ensuing budget period, directed to the Owner at his last known address by ordinary mail or by hand delivery. The notice shall be conclusively presumed to have been delivered five (5) days after deposit in the United States mails. After the Owners assume control of the Board of Trustees, if an Annual Common Expense Assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior year's assessment; and monthly installments on such assessment shall be due upon each installment payment date until changed by an amended assessment. In the event the Annual Common Expense Assessment proves to be insufficient, the budget and Assessments may be amended at any time by the Board of Trustees, provided that nothing herein shall serve to prohibit or prevent the Board of Trustees from imposing an Emergency Assessment in the case of any immediate need or emergency that cannot be met by reserve funds allocated for such contingency.

7.08. Acceleration of Assessment Installment Upon Default. If an Owner shall be in default for more than thirty (30) days in the payment of an installment upon any assessment, the

Board of Trustees may accelerate the remaining installments of the assessment and file a lien for such accelerated amount upon notice to the delinquent Owner; and if the delinquent installment has not been theretofore paid, the then unpaid balance of the assessment shall become due upon the date stated in the notice, which date shall not be less than five (5) days after delivery of the notice to the Owner or not less than ten (10) days after the mailing of such notice to him by registered or certified mail, whichever shall first occur. If no such notice is given and default shall continue for a period of thirty (30) days, the Board of Trustees shall be required to accelerate the remaining installments of the assessment upon similar notice to the Owner and to file a lien for such accelerated assessment as permitted by law, if the delinquent assessment has not been heretofore paid. In the latter event, the Board of Trustees may also notify any Eligible Mortgage Holder holding a mortgage which encumbers the Home affected by such default or publish appropriate notice of such delinquency to the membership of the Association. If any default continues for a period of ninety (90) days, the Board of Trustees shall foreclose the foregoing lien pursuant to law or commence a suit against the appropriate parties to collect the assessment or both.

7.09. Interest and Counsel Fees. The Board of Trustees at its option shall have the right in connection with the collection of any assessment, or other charge to impose a late charge of any reasonable amount or interest at the legal maximum rate permitted by law for the payment of delinquent real estate taxes or both, if payment is made after a date certain stated in such notice. In the event that the Board of Trustees shall effectuate collection of assessments or charges by resort to counsel or the filing of a lien or both, the Board of Trustees may add to those assessments or charges as counsel fees, plus the reasonable costs for preparation, filing and discharge of the lien, in addition to such other costs as may be allowable by law.

7.10. Assessment of Expenses in Actions by or against Association; Allocation of Awards.

(a) Common Expenses.

In the case of any action or proceeding brought or defended by the Association or the Board of Trustees pursuant to the provisions of the Declaration, Certificate of Incorporation, these By-Laws, or any Rule or Regulation, the reasonable costs and expenses of preparation and litigation, including attorneys' fees, shall be a Common Expense allocated among all Owners, other than Developer. All Common Expense assessments received and to be received by the Board of Trustees for the purpose of paying any judgment obtained against the Association or the Board of Trustees, and the right to receive such funds, shall constitute trust funds and shall be expended first for such purpose before being expended in whole or in part for any other purpose.

(b) Allocation of Awards.

Money judgments recovered by the Association in any action or proceeding brought hereunder, including costs, penalties or damages shall be deemed a special fund to be applied to (1) the payment of unpaid litigation expenses; (2) refunding to the Owners the cost and expenses of litigation advanced by them; (3) Common Expenses, if the recovery thereof was the purpose of the litigation; (4) repair or reconstruction of the Property if recovery of damages to same was the motivation for the litigation; and (5) any amount not applied

to (1), (2), (3) and (4) above shall be at the discretion of the Board of Trustees treated either as (i) a common surplus which shall be allocated and distributed pursuant to the provisions of Section 7.18 of the Declaration or (ii) a set off against the Common Expense assessments. Despite the foregoing, if an Owner(s), the Board of Trustees or any other person or legal entity affected by any such distribution shall assert that the damages sustained or the diminution in value suffered by an Owner(s) was disproportionate to his or their percentage of common interest, the matter shall be submitted to binding arbitration in accordance with the procedures set forth in Article XII hereof.

(c) Recovery by Owner

In the event that an Owner(s) obtains a judgment or order against the Association or the Board of Trustees, he shall also be entitled to the restitution or recovery of any sums paid to the Board of Trustees as Common Expense assessments for litigation expenses in relation to said action or proceeding in addition to any other sums to which said Owner(s) would otherwise be entitled by such judgment or order.

7.11. Power of Attorney to Holder of a Permitted Mortgage. In the event the Board of Trustees shall not cause the enforcement procedures provided in Sections 7.08 and 7.09 above to be implemented within the time provided, any holder of a Permitted Mortgage for any Single Family Dwelling or Unit as to which there shall be such unpaid Common Expense assessments is hereby irrevocably granted a power of attorney to commence such actions and to invoke such other

remedies, all in the name of the Association. This power of attorney is expressly stipulated to be coupled with an interest in the subject matter.

7.12. Annual Audit. The Board of Trustees shall submit the books, records, and memoranda of the Association to an annual audit by an independent, certified public accountant who shall audit same and render a report thereon in writing to the Board of Trustees and in summary form to the Owners and such Eligible Mortgage Holders or other persons, firms or corporations as may be entitled to same. While the Developer maintains a majority of the Board of Trustees, it shall have an annual audit of Association funds prepared by an independent public accountant, a copy of which shall be delivered to each Owner and Eligible Mortgage Holder upon the submission of a written request for same by said Eligible Mortgage Holder within ninety (90) days of the expiration of the fiscal year of the Association. The audit shall cover the operating budget and reserve accounts.

7.13. Examination of Books. Each Owner shall be permitted to examine the books of account of the Board of Trustees by appointment in the offices of the Association or such other place as may be designated therefor by the Board of Trustees at a reasonable time on business days, provided, however, that the Treasurer has been given at least ten (10) days prior written notice of the Owner's desire to make such an examination.

7.14. Fidelity Bonds. The Board of Trustees shall require fidelity bonds from all persons handling or responsible for Association funds. The amount of such bonds shall be in the amount of the maximum funds that will be in the custody of the Association at any one time, but in no event less than the sum of three (3) months assessments of all Homes. This amount shall be determined by the Board of Trustees.

While the Developer maintains a majority of representation on the Board of Trustees, it shall post, at the Association's expense, a fidelity bond or other guaranty acceptable to the New Jersey Department of Community Affairs, in an amount equal to the annual budget. For the second and succeeding years in which the Developer maintains a majority of representation on the Association's Board of Trustees, the amount of the bond or other guaranty shall also include accumulated reserves. The premiums on such bonds shall be paid by the Association.

ARTICLE VIII

OFFICERS

8.01. Designation. The principal officers of the Association shall be a President, a Vice-President, both of whom shall be members of the Board of Trustees, a Secretary and a Treasurer. The Board of Trustees may also appoint such other Assistant Treasurers and Assistant Secretaries as in its judgment may be necessary. Any two (2) offices, except that of President and Vice-President, may be held by one person.

8.02. Election of Officers. The officers of the Association shall be elected annually by the Board of Trustees at its first meeting following each annual meeting and such officers shall hold office at the pleasure of the Board of Trustees.

8.03. Removal of Officers. Upon an affirmative vote of a majority of the full number of Trustees, any officer may be removed, either with or without cause, after opportunity for a hearing, and his successor elected at any regular meeting of the Board of Trustees, or at any special meeting of the Board of Trustees called for such purpose.

8.04. Duties and Responsibilities of Officers.

- (a) The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Trustees. He shall have all of the general powers and duties which are usually vested in the office of President of an Association.
- (b) The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board of Trustees shall appoint some other Trustee to so do on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Trustees.
- (c) The Secretary shall keep the minutes of all meetings of the Board of Trustees and the minutes of all meetings of the Members of the Association. He shall have charge of such books and papers as the Board of Trustees may direct. The Secretary shall, in general, perform all the duties incident to the office of the Secretary.
- (d) The Treasurer shall have the responsibility for the custody of Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit

of, the Association in such depositories as may from time to time be authorized by the Board of Trustees.

8.05. Other Duties and Powers. The officers shall have such other duties, powers and responsibilities as shall, from time to time, be authorized by the Board of Trustees.

8.06. Eligibility of Trustees. Nothing herein contained shall prohibit a Trustee from being an officer.

ARTICLE IX

COMPENSATION, INDEMNIFICATION AND EXCULPABILITY OF OFFICERS, TRUSTEES, AND COMMITTEE MEMBERS

9.01. Compensation. No compensation shall be paid to the President or the Vice-President or any Trustee, or committee member for acting as such. The Secretary or Treasurer or both may be compensated for their services if the Board of Trustees determines that such compensation is appropriate. Nothing herein stated shall prevent any officer, Trustee, or committee member from being reimbursed for out-of-pocket expenses or compensated for services rendered in any other capacity to or for the Association, provided that any such expenses incurred or services rendered shall have been authorized in advance by the Board of Trustees.

9.02. Indemnification. Each Trustee, officer or committee member of the Association shall be indemnified by the Association against the actual amount of net loss including counsel fees, reasonably incurred by or imposed upon him in connection with any action, suit or proceeding to which he may be a party by reason of his being or having been a Trustee, officer, or committee member of the Association, or delegee, except as to matters for which he shall be ultimately found in such action to be liable for gross negligence or willful misconduct. In the event

of a settlement of any such case, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified had not been guilty of gross negligence or willful misconduct.

9.03. Exculpability. Unless acting in bad faith, neither the Board of Trustees as a body nor any Trustee, officer, or committee member shall be personally liable to any Owner in any respect for any action or lack of action arising out of the execution of his office. Each Owner shall be bound by the good faith actions of the Board of Trustees, officers and committee members of the Association, in the execution of the duties of said Trustees, officers and committee members. Nothing contained herein shall be construed to exculpate members of the Board of Trustees appointed by the Developer from discharging their fiduciary responsibilities.

ARTICLE X

ARCHITECTURAL REVIEW COMMITTEE

10.01. Purpose. The Board of Trustees may establish an Architectural Review Committee ("ARC"), consisting of up to five (5) members appointed by the Board of Trustees, but not to include a member of the Board. Each member shall serve for a term of one year in order to assure that the Property shall always be maintained in a manner:

- (a) providing for architectural consistency, visual and aesthetic harmony and soundness of repair;
- (b) avoiding activities deleterious to the aesthetic or property values of the Community;
- (c) furthering the comfort of the Owners, their guests, invitees and lessees; and

(d) promoting the general welfare and safety of the Community.

10.02. Powers. The ARC shall regulate the external design, appearance, use and maintenance of the Property in accordance with standards and guidelines contained in the Declaration or these By-Laws or otherwise adopted by the Board of Trustees ("Architectural Restrictions"). The ARC shall have the power, or upon petition of any owner or upon its own motion, to issue a cease and desist order to an Owner, or his lessees whose actions are inconsistent with the foregoing standard and guidelines. The ARC shall provide interpretations of the Architectural Restrictions when requested to do so by an Owner or the Board of Trustees. Any action, ruling or decision of the ARC may be appealed to the Board of Trustees by any party deemed by the Board of Trustees to have standing as an aggrieved party, within forty-five (45) days of the receipt of the written determination of the ARC. If said action, ruling or decision is appealed to the Board of Trustees within said forty-five (45) day period, the Board of Trustees may modify, reverse or confirm any such action, ruling or decision. If said action, ruling or decision is not appealed to the Board of Trustees within said forty-five (45) day period, the decision of the ARC shall be binding. The decision of the Board of Trustees can only be appealed to a court of competent jurisdiction or, with the consent of the parties, to the ADR Committee, subject to the right of mediation on non-binding arbitration in Section 12.05 hereof.

10.03. Authority. The ARC shall carry out and exercise its power and authority in the manner provided for in the Declaration or in any Rules and Regulations adopted by the Board.

ARTICLE XI

ALTERNATIVE DISPUTE RESOLUTION COMMITTEE

11.01. The Board of Trustees shall establish an Alternative Dispute Resolution Committee ("ADR Committee"), consisting of a chairman and two or more members, none of whom may be a member of the Board of Trustees or an employee of the Association.

11.02. The ADR Committee shall have power to appoint a subcommittee from among its members and may delegate to any such subcommittee any of its powers, duties and functions.

11.03. It shall be the duty of the ADR Committee to receive complaints from Members on any matter involving Association functions, duties and activities within its field of responsibility, as delegated to it by the Board or set forth in Section 12.05 herein. It shall attempt to informally resolve such complaints as it deems appropriate or refer them to such other committee, Trustee or officers of the Association as may be further concerned with the matter presented.

ARTICLE XII

ENFORCEMENT

12.01. Enforcement. The Association shall have the power, at its sole option, to enforce the terms of this instrument or any Rule or Regulation promulgated pursuant thereto, by any or all of the following: self-help; sending notice to the offending party to cause certain things to be done or undone; restoring the Association to its original position and charging the breaching party with the entire cost or any part thereof; complaint to the duly constituted authorities; or by taking any other action before any court, summary or otherwise, as may be provided by law.

12.02. Fines. To the extent now or hereafter permitted by the law of the State of New Jersey, the Association shall have the power to levy fines against any Owner(s) for violation(s)

of any Rule or Regulation contained in the Governing Documents, except that no fine may be levied for more than the maximum amount permitted by law for any one violation; provided, however, that for each day a violation continues after notice shall be considered a separate violation. Collection of fines may be enforced against any Owner(s) involved as if the fine were a Common Expense Assessment owed by the particular Owner(s) and such fines shall constitute a lien upon the particular Owner's Home. Despite the foregoing, before the Board of Trustees imposes any fine, the Owner involved shall be given at least ten (10) days prior written notice and afforded an opportunity to be heard in a manner consistent with due process of law, with or without counsel, with respect to the violation(s) asserted.

12.03. Waiver. No restriction, condition, obligation or covenant contained in these By-Laws shall be deemed to have been abrogated or waived by reason of the failure to enforce the same irrespective of the number of violations or breaches thereof which may occur.

12.04. Cause of Action Against Association. Owners shall have a cause of action, to the extent permitted by the laws of this State, against the Association for its failure to act in accordance with the Governing Documents or any formal decisions of the Association.

12.05. Alternative Dispute Resolution Procedure.

a. Authority. In addition to the mediation authority granted to it herein, the ADR Committee shall have such additional duties, power and authority as the Board of Trustees may from time to time provide by resolution. This shall include the right to resolve disputes arising under and to enforce the provisions of the Governing Documents, including the right to (i) impose temporary cease and desist orders and (ii) levy fines pursuant to Section 12.02 hereof to the extent permitted by law. The ADR Committee shall carry out its duties and exercise its powers and

authority in the manner provided for in the Rules and Regulations or by Resolution of the Board of Trustees. Despite the foregoing, no action may be taken by the ADR Committee without giving the Owner(s) involved at least ten (10) days prior written notice and affording the Owner an opportunity to be heard, with or without counsel, with respect to the violation(s) asserted.

Further, any Owner who is aggrieved by any decision of the ADR Committee shall have the right to appeal such decision to a court of competent jurisdiction. Any dispute between or among Owners or with the Association, other than collection matters, must first be submitted to the ADR Committee for mediation or non-binding arbitration before any litigation is commenced with respect to the dispute in question, all as contemplated by N.J.S. 45:22A-44(c) and Section 12.02 hereof. If there is not an appeal to a court of competent jurisdiction within forty-five (45) days of the publication of a decision by the ADR Committee, the decision of the ADR Committee shall be binding on all parties and shall have full force and effect under the laws of the State of New Jersey.

b. Mediation Alternative. Prior to the commencement of any non-binding arbitration hearing by the ADR Committee pursuant to Section 12.01, any party to the dispute, or the Committee on its own motion, may request mediation of the dispute by an impartial mediator appointed by the Committee in order to attempt to settle the dispute in good faith. Such mediator may be a member of the ADR Committee, its counsel or any other qualified mediator. Any such mediation shall be concluded within fifteen (15) days after such request, unless extended by the mediator for good cause. In the event that no settlement is reached within said fifteen (15) day period, all relevant time periods in the hearing process shall be extended for fifteen (15) days plus any extension period.

12.06. Compliance By Members. Each Member shall comply with and shall assume ownership or occupancy subject to the laws, rules and regulations of governmental authorities having jurisdiction over the Community, and the provisions of the Declaration, the Certificate of Incorporation and By-Laws of the Association, Rules and Regulations or any other documents, amendments or supplements to the foregoing. Failure to comply with any of the foregoing shall be grounds for commencement of action for the recovery of damages, or for injunctive relief, or both, by the Developer, the Association, or any Member, in any court or administrative tribunal having jurisdiction, against any person or persons, firm or corporation violating or attempting to violate or circumvent any of the aforesaid, and against any Member, to enforce any lien created by the Declaration or any covenant contained therein. Failure by the Developer, the Association, or any Member to enforce any covenant therein contained for any period of time shall in no event be deemed a waiver or estoppel of the right to thereafter enforce same.

12.07. Civil Action for Damages. The Association shall not be liable in any civil action brought by or on behalf of an Owner to respond in damages as a result of bodily injury to the Owner occurring on the premises of the Association except as a result of its willful, wanton or grossly negligent act of commission or omission.

ARTICLE XIII

AMENDMENTS

Subject to the restrictions in Article XIV of the Declaration, these By-Laws, or any of them, may be altered or repealed, or new By-Laws may be made, at any meeting of the Association duly held for such purpose, and previous to which written notice to Owners of the exact language of the amendment or of the repeal shall have been sent, a quorum being present, by an affirmative vote

of fifty-one (51%) percent in number and in interest of the votes entitled to be cast in person or by proxy, except that (i) the first annual meeting may not be advanced, (ii) the first Board of Trustees (including replacements in case of vacancies) may not be enlarged or removed, (iii) the obligation or the proportionate responsibility for the payment of Common Expenses with respect to the Homes, the Units or the Property may not be changed by reason of any such new By-Law, amendment or repeal, or (iv) no such new By-Law, amendment or repeal shall in any way adversely affect the Developer, including any successor of the Developer, unless the Developer, or its successor, has given its prior written consent thereto.

ARTICLE XIV

CONFLICT; INVALIDITY

14.01. Conflict. Despite anything to the contrary herein, if any provision of these By-Laws is in conflict with or contradiction of the Declaration, the Certificate of Incorporation or with the requirements of any law, the requirements of said Declaration, Certificate of Incorporation or law shall be deemed controlling.

14.02. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the enforceability or affect the remaining provisions of the By-Laws.

ARTICLE XV

NOTICE

Any notice required to be sent to any Owner under the provisions of the Declaration, the Certificate of Incorporation or these By-Laws shall be deemed to have been properly sent and notice thereby given, when mailed by regular post with postage prepaid, addressed to the Owner at his last known post office address on the records of the Association at the time of such mailing.

Notice to one of two or more Co-Owners of a Home shall constitute notice to all Co-Owners. It shall be the obligation of every Owner to immediately notify the Secretary of the Association in writing of any change of address. Valid notice may also be given to Owners by (i) personal delivery to any occupant of said Home over the age of fourteen (14) years of age or (ii) by affixing the notice to or sliding same under the front door of any Home.

ARTICLE XVI

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words "The Grande at Rancocas Creek Homeowners Association, Inc."