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VILLAS OF TORINO COMMUNITY ASSOCIATION, INC.

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TABLE OF CONTENTS

PAGE

Article 1 Name, Principal Office, and Definitions..... 1

 1.1. Name..... 1

 1.2. Principal Office..... 1

 1.3. Definition..... 1

Article 2 Membership: Meetings, Quorum, Voting, Proxies..... 1

 2.1. Membership..... 1

 2.2. Place of Meetings..... 1

 2.3. Association Meetings..... 2

 2.4. Notice of Meetings..... 2

 2.5. Waiver of Notice..... 2

 2.6. Adjournment of Meetings..... 3

 2.7. Voting..... 3

 2.8. Proxies..... 3

 2.9. Quorum..... 3

 2.10. Conduct of Meetings..... 4

 2.11. Action Without a Meeting..... 4

Article 3 Board of Directors: Selection, Meetings, Powers 4

 A. Composition and Selection..... 4

 3.1. Governing Body; Qualifications..... 4

 3.2. Number of Directors..... 4

 3.3. Selection of Directors; Term of Office..... 4

 3.4. Nomination and Election Procedures..... 5

 3.5. Removal of Directors and Vacancies..... 6

 B. Meetings..... 6

 3.6. Organizational Meetings..... 6

 3.7. Regular Meetings..... 6

 3.8. Special Meetings..... 6

 3.9. Notice; Waiver of Notice..... 6

 3.10. Telephonic Participation in Meetings..... 7

 3.11. Quorum of Board..... 7

 3.12. Conduct of Meetings..... 8

 3.13. Open Meetings; Executive Session..... 8

 3.14. Action Without a Formal Meeting..... 8

 C. Powers and Duties..... 8

 3.15. Powers..... 8

 3.16. Duties..... 8

 3.17. Conflicts of Interest..... 8

MIADOC5 951415 1

Article 4 Officers..... 10

4.1. Officers..... 10

4.2. Election and Term of Office..... 10

4.3. Removal and Vacancies..... 10

4.4. Powers and Duties..... 10

4.5. Resignation..... 10

Article 5 Committees..... 11

5.1. General..... 11

5.2. Covenants Committee..... 11

Article 6 Standards of Conduct; Liability and Indemnification..... 11

6.1. Standards for Directors and Officers..... 11

6.2. Liability..... 12

6.3. Indemnification..... 12

6.4. Advancement of Expenses..... 13

6.5. Board and Officer Training..... 13

Article 7 Management and Accounting..... 13

7.1. Compensation of Directors and Officers..... 13

7.2. Right of Founder Member to Disapprove Actions..... 14

7.3. Managing Agent..... 14

7.4. Accounts and Reports..... 15

7.5. Borrowing..... 16

7.6. Right to Contract..... 16

7.7. Agreements, Contracts, Deeds, Leases, Checks, Etc..... 16

Article 8 Enforcement Procedures..... 17

8.1. Notice and Response..... 17

8.2. Hearing..... 17

8.3. Appeal..... 17

Article 9 Miscellaneous..... 18

9.1. Fiscal Year..... 18

9.2. Conflicts..... 18

9.3. Books and Records..... 18

9.4. Notices..... 19

9.5. Amendment..... 19

MIADOC5 951415 1

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OF

VILLAS OF TORINO COMMUNITY ASSOCIATION, INC.

Article 1
Name, Principal Office, and Definitions

1.1. Name.
The name of the corporation is Villas of Torino Community Association, Inc. (the "Association").

1.2. Principal Office.

The Association's principal office shall be located at 6767 North Wickham Road, Suite 500, Melbourne, Florida 32940. The Association may have such other offices, either within or outside Florida, as the Board may determine or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall have their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Community Charter for Cambridge Townhome Development recorded or to be recorded by Cambridge Community Developers, Inc., a Florida corporation ("Founder"), in the Public Records of St. Lucie County, Florida, as it may be amended from time to time (the "Charter"), unless the context indicates otherwise. The term "majority," as used in these By-Laws, means those votes, Owners, or other group, as the context may indicate, totaling more than 50% of the total eligible number. The term "Act," as used in these By-Laws, means Florida Statutes, Title 40 (Real and Personal Property), Chapter 720 (Homeowners' Associations), as amended and/or renumbered from time to time.

Article 2
Membership: Meetings, Quorum, Voting, Proxies

2.1. Membership.

The Association shall have two classes of membership, Owner Membership and Founder Membership, as more fully set forth in the Charter. Provisions of the Charter pertaining to membership are incorporated by this reference.

2.2. Place of Meetings.

The Association shall hold meetings at its principal office or at such other suitable place convenient to the Members as the Board may designate.

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2.3. Association Meetings.

(a) *General.* Association meetings shall be of the Owners unless the Board otherwise specifies or Florida law otherwise requires. The Association shall hold its first meeting, whether a regular or special meeting, within one year after the date of the Association's incorporation. The Board shall set the date and time of subsequent regular annual meetings.

(b) *Annual Meetings.* The Board shall schedule regular annual meetings to occur within 120 days after the close of the Association's fiscal year, on such date and at such time and place as the Board shall determine. Annual meetings may be conducted electronically (i.e. via the Internet, intranet, or teleconference) if, and to the extent, permitted by law.

(c) *Special Meetings.* The President may call special meetings of the general membership. It shall also be the President's duty to call a special meeting of the general membership if so directed by Board resolution or upon a written petition of Owners representing at least 10% of the total votes in the Association.

If the President does not send notice of a special meeting pursuant to Section 2.4 within 30 days after the date written demand is delivered to the Association's Secretary, any Member signing the demand may set the time and place of the special meeting and give the Association notice pursuant to Section 2.4.

2.4. Notice of Meetings.

The President, the Secretary, or the officers or other persons calling a meeting of the Owners shall deliver or cause to be delivered to each Owner entitled to vote at such meeting a written notice stating the place, day, and hour of the meeting to be given in any manner permitted by Florida law.

In the case of a special meeting or when otherwise required by statute, the Charter, or these By-Laws, the purpose or purposes for which the meeting is called shall also be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

Such notice shall be delivered by such means as permitted under Section 9.4, at least 14 but not more than 50 days before the date of such meeting.

2.5. Waiver of Notice.

Waiver of notice of an Association meeting shall be deemed the equivalent of proper notice. Any Owner may waive, in writing, notice of any Association meeting, either before or after such meeting. An Owner's attendance at a meeting shall be deemed a waiver by such Owner of notice of the time, date, and place thereof, unless the Owner specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed a waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

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2.6. Adjournment of Meetings.

If any Association meeting cannot be held because a quorum is not present, the Owners entitled to cast a majority of the votes present at such meeting may adjourn the meeting to a time at least five but not more than 30 days from the scheduled date of the original meeting. At the reconvened meeting, if a quorum is present, any business may be transacted that might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Board shall provide notice to the Owners of the time and place for reconvening the meeting in the manner prescribed for regular meetings.

Owners present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the departure of enough Owners to leave less than a quorum, provided at least a majority of the votes required to constitute a quorum must approve any action taken.

2.7. Voting.

Members shall have such voting rights as are set forth in the Charter, which provisions are specifically incorporated by this reference.

2.8. Proxies.

Any Member who is entitled to cast a vote for his or her Unit pursuant to the Charter may cast such vote in person or by proxy, subject to the limitations of Florida law and subject to any specific provision to the contrary in the Charter or these By-Laws.

Every proxy shall be in writing, shall identify the Unit for which it is given, shall be signed by the Member or the Member's duly authorized attorney-in-fact, and shall be dated and filed with the Association's Secretary prior to the meeting for which it is to be effective. Unless the proxy specifically provides otherwise, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Unit for which it was given, (b) the secretary's receipt of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is an individual given to the person presiding over a meeting of the Association, (c) attendance in person of the Person granting the proxy at any meeting for which the proxy may otherwise be used, or (d) 90 days from the meeting date for which the proxy was originally given, unless the proxy specifies a shorter period.

2.9. Quorum.

Except as these By-Laws or the Charter otherwise provide, the presence of Owners representing 30% of the total votes in the Association shall constitute a quorum at all Association meetings and the vote of Owners representing a majority of the total eligible votes cast shall constitute the action of the Owners.

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2.10. Conduct of Meetings.

The President or other Board designee shall preside over all Association meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are recorded in the Association's minute books.

2.11. Action Without a Meeting.

Any action required by the Charter, the Articles, or Florida law to be taken at a meeting of the Members may be taken without a meeting, without prior notice, and without a vote if approved by Members representing at least the minimum number of votes in the Association necessary to authorize such action at a meeting, if all Members entitled to vote were present and voted. Such approval shall be evidenced by one or more written consents specifically authorizing the proposed action, dated and signed by Members holding the requisite votes.

The Association need not give prior notice before soliciting such consent; however, the Association must send written consent forms to all Members for action authorized pursuant to this Section to be valid. Members shall sign, date, and deliver such consents to the Association within 60 days after the Association's receipt of the earliest dated consent. The Association's Secretary shall file (or cause to be filed) such consents with the Association's minutes, and the consents shall have the same force and effect as a vote of the Members at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give written notice to all Members entitled to vote who did not give their written consent, fairly summarizing the material features of the authorized action.

Article 3

Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Qualifications.

The Board shall govern the Association's affairs. Each director shall have one vote. Directors shall be Members or residents of the Community. A director must be at least 18 years old.

If an Owner is not an individual, any officer, director, partner, or any trust officer of such Owner shall be eligible to serve as a director unless a written notice to the Association signed by the Owner specifies otherwise. However, no Owner may have more than one such representative on the Board at a time except in the case of directors the Founder Member appoints.

3.2. Number of Directors.

The Board shall consist of five (5) directors, as provided in Section 3.3 of these By-Laws.

3.3. Selection of Directors; Term of Office.

(a) *Initial Board.* The initial Board shall consist of the five (5) directors identified in the Articles of Incorporation, who shall serve until their successors are appointed or elected as provided in this Section.

(b) *Directors During Founder Control Period.* Except as otherwise provided in this subsection, the Founder Member may appoint, remove, and replace all of the Board members until termination of the Founder Control Period.

Within 60 days after the time that Owners other than Builders own 50% of the total number of Units or whenever the Founder earlier determines, the President shall call for an election by which the Owners shall be entitled to elect one (1) director (directors elected by the Owners are referred to as "Owner Directors"). The remaining directors shall be appointees of the Founder. The Owner Director shall be elected for a term of two (2) years or until the happening of the event described in subsection (c)(i) below. If such director's term expires prior to the happening of the event described in subsection (c)(i), a successor shall be elected for a like term.

(c) *Directors After the Founder Control Period.*

(i) Not later than termination of the Founder Control Period, the President shall call for an election by which the Owners shall be entitled to elect four (4) directors. Two (2) directors shall be elected to serve until the second annual meeting following the election, and two (2) directors shall be elected to serve until the third annual meeting following that election, as determined by the number of votes that are received by each director. The directors receiving the most votes and the second-most votes shall be elected to serve until the third annual meeting following that election. The directors receiving the third-most and fourth-most votes shall be elected to serve until the second annual meeting following that election.

(ii) The Founder shall be entitled to appoint, remove, and replace the fifth director until the Founder holds for sale in the ordinary course of its business less than five percent (5%) of the total number of Units, at which time the director appointed by the Founder shall resign. The remaining directors shall be entitled to appoint a successor to fill the vacancy until the next annual meeting, at which time the Owners shall be entitled to elect a successor who shall be elected for a term of two (2) years.

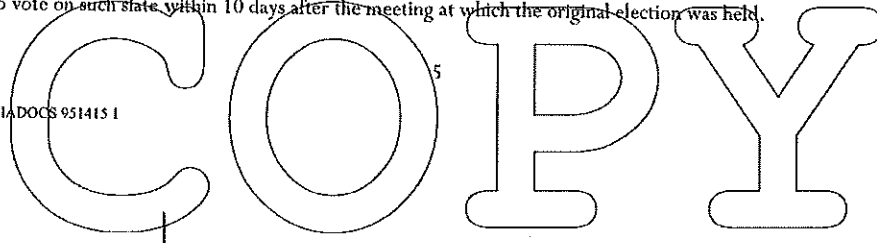
(iii) Upon expiration of the term of office of each Owner Director, the Owners shall be entitled to elect a successor to serve a term of two (2) years. Owner Directors shall hold office until their respective successors have been elected. Directors may serve an unlimited number of consecutive terms.

3.4. *Nomination and Election Procedures.*

(a) *Nomination of Candidates.* Candidates for election to the Board shall be nominated from the floor at the meeting at which any election is held. All candidates shall have a reasonable opportunity to communicate their qualifications to the Owners and to solicit votes at the meeting.

(b) *Election Procedures.* At each election, voting shall be by written ballot. Each Owner may cast his or her vote for each position to be filled from any slate of candidates.

In the event of a tie vote on any slate, the Owners shall be informed of the tie vote and given the opportunity to discuss the candidates among themselves in an effort to resolve the tie before another vote is taken. Such election shall be held by mail, with ballots to be sent by first class mail to each Owner entitled to vote on such slate within 10 days after the meeting at which the original election was held.



3.5. Removal of Directors and Vacancies.

Any Owner Director may be removed, with or without cause, by written agreement signed, by written ballots cast without a membership meeting, or by a vote taken at a meeting, by Owners holding a majority of the total votes in the Association. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Any effort by Owners to recall or remove a director shall be conducted, and any vacancy thus created shall be filled, in accordance with the procedures set forth in Section 303 of the Act, as it may be amended and/or renumbered from time to time.

At any meeting at which a quorum is present, a majority of the directors may remove any Owner Director who has three consecutive unexcused absences from Board meetings or who is more than 30 days delinquent (or resides in a Unit owned by an Owner who is so delinquent) in the payment of any assessment or other charge due the Association. The Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of an Owner Director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Owners entitled to fill such directorship shall elect a successor for the remainder of the term.

This Section shall not apply to directors the Founder appoints. The Founder may appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by the Founder.

B. Meetings.

3.6. Organizational Meetings.

The Board shall hold an organizational meeting within 10 days following each annual Association meeting at such time and place as the Board shall fix.

3.7. Regular Meetings.

The Board shall hold regular meetings at such time and place as a majority of the directors shall determine, but the Board shall meet at least four times during each fiscal year with at least one meeting per quarter.

3.8. Special Meetings.

The President, Vice President, or any two directors may call a special meeting of the Board.

3.9. Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The Board shall give notice to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone (either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director); or (iv) facsimile, electronic mail, or other electronic communication.

device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address as shown on the Association's records. Notices sent by first class mail shall be deposited into a United States mailbox at least seven business days before the time set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting, except for emergency meetings.

(b) Except for emergency meetings, notice of the time and place of any Board meeting shall be mailed or delivered to each Member at least seven days before the meeting or, in the alternative, posted in a conspicuous place within the Community at least 48 hours in advance of the meeting, except that written notice of any meeting at which special assessments, amendments to rules regarding use of Units, or any agenda item petitioned for by the Members pursuant to Section 3.12(b) will be considered, should be mailed, delivered, or electronically transmitted to each Member and posted conspicuously in the Community not less than 14 days before the meeting. In lieu of mailing or posting in the Community, notice of Board meetings may be published in a Community publication, or in the case of regularly scheduled Board meetings, provided on a schedule distributed to the Members. Notice may be transmitted electronically only to those Members who have consented in writing to receive notice by electronic transmission, and then only in a manner authorized by law.

(c) Transactions of any Board meeting, however called and noticed or wherever held, shall be as valid as though taken 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 director not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the meeting's purpose. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

(d) Notice of any meeting at which assessments are to be established shall state that fact and the nature of the assessment.

3.10. Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a Board or committee meeting by means of telephone or other electronic means, through which all persons participating in the meeting can hear each other. Participation in this manner shall constitute presence at the meeting for all purposes.

3.11. Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of at least two directors present at a meeting shall constitute the Board's decision, unless Florida law, these By-Laws, or the Charter specifically provide otherwise. If the Board cannot hold a meeting because a quorum is not present, the director present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

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3.12. Conduct of Meetings.

(a) *General.* The President shall preside over all Board meetings; provided, in the President's absence, the Vice President or another Board designee shall preside. The Secretary shall cause to be kept a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings. Members may tape record or videotape Board meetings subject to reasonable rules the Board imposes.

(b) *Agenda Items.* If Members entitled to cast at least 20% of the total votes in the Association petition the Board in writing to address an item of business, the Board shall place the petitioned item of business on its agenda at its next regular Board meeting or at a special meeting of the Board, which shall be held within 60 days after the receipt of the petition.

3.13. Open Meetings; Executive Session.

Subject to the provisions of Section 3.15, all Board meetings shall be open to all Members. Members shall have the right to attend all meetings of the Board and to speak on certain matters for at least three minutes as set forth in Section 303 of the Act.

Notwithstanding the above, the President may adjourn any Board meeting, reconvene in executive session, and exclude persons other than directors to discuss with the Association's attorney any matters relating to pending or threatened litigation that are protected by the attorney-client privilege, or to discuss among the Board any other matter of a sensitive nature to the extent Florida law permits.

3.14. Action Without a Formal Meeting.

Any action to be taken or that may be taken at a Board meeting may be taken without a meeting if all directors sign a written consent, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

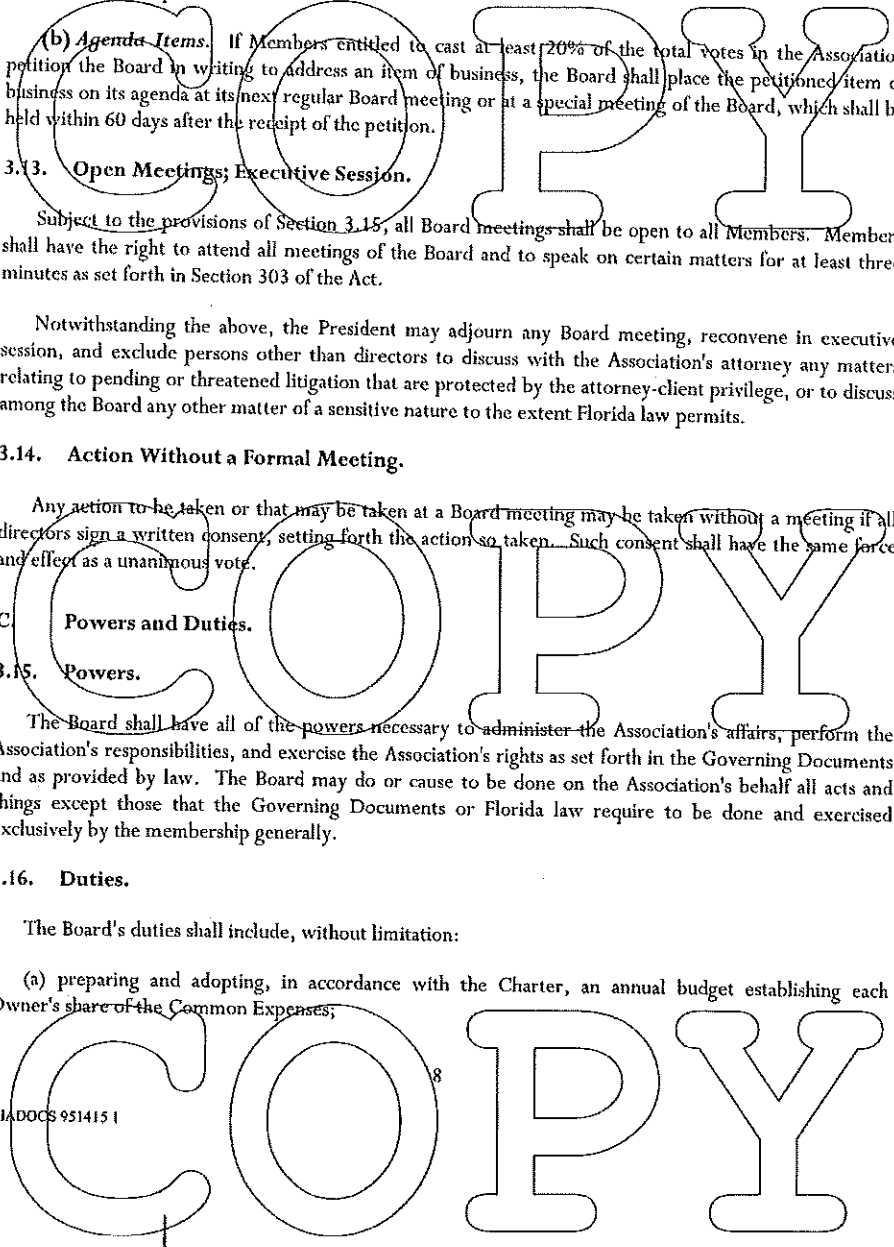
3.15. Powers.

The Board shall have all of the powers necessary to administer the Association's affairs, perform the Association's responsibilities, and exercise the Association's rights as set forth in the Governing Documents and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those that the Governing Documents or Florida law require to be done and exercised exclusively by the membership generally.

3.16. Duties.

The Board's duties shall include, without limitation:

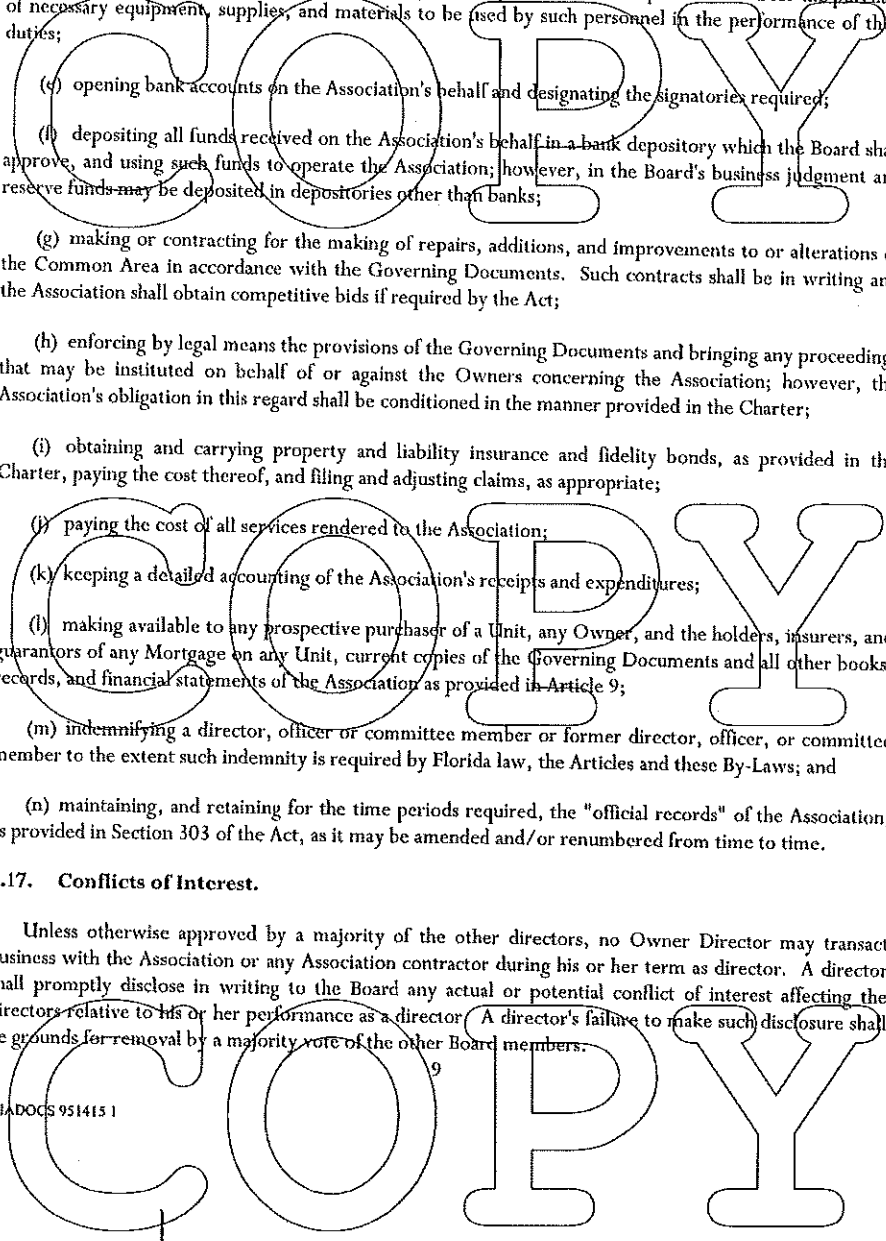
(a) preparing and adopting, in accordance with the Charter, an annual budget establishing each Owner's share of the Common Expenses;



- (b) levying and collecting assessments from the Owners;
- (c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility consistent with the Community-Wide Standard;
- (d) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and, where appropriate, providing for compensation of such personnel and for the purchase of necessary equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- (e) opening bank accounts on the Association's behalf and designating the signatories required;
- (f) depositing all funds received on the Association's behalf in a bank depository which the Board shall approve, and using such funds to operate the Association; however, in the Board's business judgment any reserve funds may be deposited in depositories other than banks;
- (g) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Governing Documents. Such contracts shall be in writing and the Association shall obtain competitive bids if required by the Act;
- (h) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings that may be instituted on behalf of or against the Owners concerning the Association; however, the Association's obligation in this regard shall be conditioned in the manner provided in the Charter;
- (i) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Charter, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (j) paying the cost of all services rendered to the Association;
- (k) keeping a detailed accounting of the Association's receipts and expenditures;
- (l) making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Article 9;
- (m) indemnifying a director, officer or committee member or former director, officer, or committee member to the extent such indemnity is required by Florida law, the Articles and these By-Laws; and
- (n) maintaining, and retaining for the time periods required, the "official records" of the Association, as provided in Section 303 of the Act, as it may be amended and/or renumbered from time to time.

3.17. Conflicts of Interest.

Unless otherwise approved by a majority of the other directors, no Owner Director may transact business with the Association or any Association contractor during his or her term as director. A director shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the directors relative to his or her performance as a director. A director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members.



Notwithstanding the above, directors appointed by the Founder may be employed by or otherwise transact business with the Founder or its affiliate, and the Founder may transact business with the Association or its contractors.

**Article 4
Officers**

4.1. Officers.

The Association's officers shall be a President, Secretary, and Treasurer. The President and Secretary shall be elected from among the Board members; other officers may, but need not, be Board members. The Board may appoint such other officers, including one or more Vice Presidents, Assistant Secretaries, and Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2. Election and Term of Office.

The initial officers of the Association shall be the three officers identified in the Articles of Incorporation, who shall serve until the Association's second annual meeting. Thereafter, the Board shall elect the Association's officers at the first Board meeting following each annual meeting of the Association or by unanimous written consent in lieu thereof, to serve until their successors are elected.

4.3. Removal and Vacancies.

The Board may remove any officer, by a vote of at least 2/3 of the directors, whenever in its judgment the Association's best interests will be served and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall have primary responsibility for preparing the Association's budgets as provided for in the Charter, and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both. The Secretary shall prepare or supervise the preparation of meeting minutes as required by Florida law.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at a later time specified therein. Unless the resignation specifies, acceptance of such resignation shall not be necessary to make it effective.

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**Article 5
Committees**

5.1. General.

The Board may appoint such other committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution.

In an effort to encourage and incorporate a broad base of Owner and resident participation in community governance, it shall be the Association's policy that the Board create and delegate its responsibilities to committees as reasonably appropriate.

Committees shall exercise only such authority as granted by Board resolution, provided the Board may, in the exercise of its reasonable discretion, elect not to follow a committee's advice on any matter. Committees may not act without specific Board authority and may not bind the Association contractually or financially. Committee members may serve no more than two consecutive two-year terms on the same committee.

5.2. Covenants Committee.

In addition to any other committees that the Board may establish pursuant to Section 5.1, the Board shall appoint a Covenants Committee consisting of at least three and no more than seven Owners who shall not be officers, directors, or employees of the Association or the spouse, parent, sibling, or child of any officer, director, or employee. Acting in accordance with the provisions of the Charter, these By-Laws, and resolutions the Board may adopt, the Covenants Committee shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Article 8. The Covenants Committee shall have no responsibility for seeking out violations of the Governing Documents.

**Article 6
Standards of Conduct, Liability and Indemnification**

6.1. Standards for Directors and Officers.

The Board shall exercise its powers in a reasonable, fair, nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

In performing their duties, directors and officers shall act as fiduciaries and shall be insulated from liability as provided for directors of corporations under Florida law and as otherwise provided by the Governing Documents. Directors and officers shall discharge their duties as directors or officers, and as members of any committee to which they are appointed, in a manner that the director or officer believes in good faith to be in the best interest of the Association and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. A director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by others to the extent authorized under Florida law.

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6.2. Liability.

(a) A director or officer shall not be personally liable to the Association, any Member, or any other Person for any action taken or not taken as a director or officer if he or she has acted in accordance with Section 6.1.

(b) Pursuant to the business judgment rule, a director also shall not be personally liable for any action taken or not taken as a director if the director:

(i) acts within the expressed or implied scope of the Governing Documents and his or her actions are not *ultra vires*;

(ii) affirmatively undertakes to make decisions that are necessary for the Association's continued and successful operation and, when decisions are made, makes them on an informed basis;

(iii) acts on a disinterested basis, promptly disclosing any real or potential conflict of interests (pecuniary or other), and avoiding participation in decisions and actions on matters as to which he or she has a conflict of interest (beyond that which all directors have by virtue of their ownership or occupancy of a Unit); and

(iv) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs.

(c) The Association's officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on the Association's behalf (except to the extent that such officers or directors may also be Members).

6.3. Indemnification.

To the fullest extent permitted by Florida law, the Association shall indemnify every officer, director, employee, and committee member against all damages and expenses, including counsel fees and expenses, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that the Association shall have no obligation to indemnify any individual against liability or expenses incurred in connection with a proceeding:

(a) brought by or in the right of the Association, although it may reimburse the individual for reasonable expenses incurred in connection with the proceeding if it is determined, by the court or in the manner provided above, that the individual met the relevant standard of conduct under Florida law; or

(b) to the extent that the individual is adjudged liable for conduct that constitutes:

(i) appropriation, in violation of his or her duties, of any business opportunity of the Association;

MIADOC5 951415 1

- (ii) intentional misconduct or knowing violation of the law;
- (iii) an unlawful distribution to members, directors or officers; or
- (iv) receipt of an improper personal benefit.

This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation if such insurance is reasonably available.

6.4. Advancement of Expenses.

In accordance with the procedures and subject to the conditions and limitations set forth in Florida law, the Board may authorize the Association to advance funds to pay for or reimburse the reasonable expenses incurred by a present or former officer, director, or committee member in any proceeding to which he or she may be a party by reason of being or having been an officer, director, or committee member.

6.5. Board and Officer Training.

The Board may conduct or provide for seminars and continuing educational opportunities designed to educate and inform its officers and directors of their responsibilities as officers and directors. Such programs may include instruction on applicable Florida corporate and fiduciary law principles, other issues relating to administering community affairs, and upholding and enforcing the Governing Documents. The Board may retain industry professionals, which may include property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected officer and director shall be encouraged to complete a training seminar within the first six months of assuming such position. The seminar may be live, video or audiotape, or in other format. The cost of such seminar shall be a Common Expense.

The Board also may provide, or provide for, Owner and resident education designed to foster a better understanding of the Community's governance and operations and leadership training classes designed to educate Owners and Owners of the nomination, election, and voting processes and the duties and responsibilities of directors and officers.

**Article 7
Management and Accounting**

7.1. Compensation of Directors and Officers.

The Association shall not compensate directors and officers for acting as such unless Owners representing a majority of the total votes in the Association approve such compensation at an Association meeting. The Association may reimburse any director or officer for expenses he or she incurs on the Association's behalf upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director or officer, or any entity with which a director or officer is affiliated, for services or supplies he or she furnishes to the Association in a capacity other than as a director or officer pursuant to a contract or agreement with the Association. However, such director must make

known his or her interest to the Board prior to entering into such contract, and a majority of the Board, excluding any interested director, must approve such contract.

7.2. Right of Founder Member to Disapprove Actions.

So long as there is a Founder Membership, the Founder Member shall have a right to disapprove any action, policy, or program of the Association, the Board, and any committee that, in the Founder Member's sole judgment, would tend to impair rights of the Founder or Builders under the Charter or these By-Laws, interfere with development or construction of any portion of the Community, or diminish the level of services the Association provides. The Board shall not implement any action, policy, or program subject to the right of disapproval set forth herein until and unless the requirements of this Section have been met.

(a) *Notice.* The Association shall give the Founder Member written notice of all meetings of the Members, the Board, and committees and any actions that any of them propose to take by written consent in lieu of a meeting. The Association shall give such notice by certified mail, return receipt requested, or by personal delivery at the address the Founder Member has registered with the Association. Such notice shall comply as to Board meetings with Section 3.9 of these By-Laws, and shall, except in the case of regular Board meetings pursuant to these By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting.

(b) *Opportunity to be Heard.* At any such meeting, the Association shall give the Founder Member the opportunity to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program that would be subject to the right of disapproval set forth herein.

The Founder Member, its representatives, or its agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Founder Member, acting through any officer or director, agent, or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action.

The Founder Member may use this right to disapprove to block proposed actions but shall not use it to require any action or counteraction of any committee, the Board, or the Association. The Founder Member shall not use its right to disapprove to reduce the level of services the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

7.3. Managing Agent.

The Board may employ for the Association professional management agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties but shall not delegate policy-making authority or ultimate responsibility for those duties set forth in Section 3.16 of these By-Laws. The Board may employ the Founder or its affiliate as managing agent or manager.

The Board may delegate to one of its members the authority to act on its behalf on all matters relating to the duties of the managing agent or manager that might arise between Board meetings.

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14
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The Association shall not be bound, either directly or indirectly, by any management contract executed during the Founder Control Period unless such contract contains a right of termination that may be exercised by the Association, with or without cause and without penalty, at any time after termination of the Founder Control Period upon not more than 90 days' written notice.

The managing agent shall not accept remuneration from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association. The managing agent shall promptly disclose to the Board any financial or other interest that it may have in any firm providing goods or services to the Association.

7.4. Accounts and Reports.

(a) The Board shall follow the following accounting standards unless the Board specifically determines otherwise by a resolution duly adopted and permitted under Florida law:

- (i) accounting and controls should conform to generally accepted accounting principles; and
- (ii) the Association's cash accounts shall not be commingled with any other accounts, and during the Founder Control Period, operating accounts shall not be commingled with reserve accounts;

(b) Commencing at the end of the quarter in which the first Unit is sold and closed, the following financial reports shall be prepared for the Association within 90 days after the end of each quarter:

- (i) an income statement reflecting all income and expense activity for the preceding period;
- (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
- (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
- (iv) a balance sheet as of the last day of the preceding period; and
- (v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless the Board specifies otherwise by resolution). A copy of the quarterly financial report shall be made available at no charge to any Member requesting a copy.

(c) An annual report shall be prepared within 60 days after the close of the fiscal year. Financial reports shall be prepared pursuant to Section 303 of the Act, as it may be amended and/or renumbered from time to time, as follows:

- (i) For any fiscal year in which the Association has total revenues of less than \$100,000, a complete set of financial statements in accordance with generally accepted accounting principles, based upon the Association's total annual revenues, as more specifically provided in Section 303 of the Act, as it may be amended and/or renumbered from time to time.

(ii) A report of cash receipts and expenditures (for any fiscal year in which the Association has total annual revenues of less than \$100,000), which must disclose the amount of receipts by accounts and receipt classifications and the amount of expenses by accounts and expense classifications, including, but not limited to, the following, as applicable: costs for security, professional, and management fees and expenses; taxes, costs for recreation facilities, expenses for refuse collection and utility services; expenses for lawn care; costs for building maintenance and repair; insurance costs; administration and salary expenses; and reserves if maintained by the Association.

(iii) If 20% of the Members petition the Board for a level of financial reporting higher than that required by this subsection, the Board shall duly notice and hold a meeting of Members within 30 days of receipt of the petition for the purpose of voting on raising the level of reporting for that fiscal year. Upon approval of the Members representing at least a majority of the total votes in the Association, the Board shall prepare or cause to be prepared financial statements to the level of reporting adopted by the Members, shall amend the budget or adopt a special assessment to pay for the financial report regardless of any provision to the contrary in the Governing Documents, and shall provide such financial statements within 90 days of the meeting or the end of the fiscal year, whichever occurs later.

Within 10 business days following its receipt of a written request, the Board shall provide a Member or its authorized agent with a copy of the annual financial report or a written notice that a copy of the annual financial report is available upon request at no charge to the Member. In addition, to the extent Florida law requires, the Association shall send a copy of the annual report to each Member, which may be sent with the notice of the annual meeting.

7.5. Borrowing.

The Association shall have the power to borrow money for any legal purpose. However, the Board shall obtain Owner approval in the same manner provided in the Charter for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 20% of the Association's budgeted gross expenses for that fiscal year.

7.6. Right to Contract

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common-management, operational, or other agreements with trusts, condominiums, cooperatives, and other owners or residents associations outside the Community.

7.7. Agreements, Contracts, Deeds, Leases, Checks, Etc.

All Association agreements, contracts, deeds, leases, checks, and other instruments shall be executed by at least two officers or by such other person or persons as the Board may designate by resolution.

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16
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**Article 8
Enforcement Procedures**

The Association shall have the power, as provided in the Charter, to impose sanctions for any violation of the Governing Documents. To the extent specifically required by the Charter, the Board shall comply with the following procedures prior to imposition of sanctions:

8.1. Notice and Response.

The Board or its delegate shall serve the alleged violator with written notice describing (a) the nature of the alleged violation, (b) the proposed sanction to be imposed, (c) the alleged violator shall have 14 days to present a written request for a hearing before the Covenants Committee appointed pursuant to Article 3; and (d) a statement that the proposed sanction may be imposed as contained in the notice unless a hearing is requested within 14 days of the notice.

The alleged violator shall respond to the notice of the alleged violation in writing within such 14-day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction. If the alleged violator cures the alleged violation and notifies the Board in writing within such 14-day period the Board may, but shall not be obligated to, waive the sanction. Such waiver shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board or Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 14-day period.

Prior to the effectiveness of sanctions imposed pursuant to this Article, proof of proper notice shall be placed in the minutes of the Board or Covenants Committee, as applicable. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

8.2. Hearing.

If a hearing is requested within the allotted 14-day period, the hearing shall be held before the Covenants Committee. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meetings of the Covenants Committee shall contain a written statement of the results of the hearing (i.e., the Committee's decision) and the sanction, if any, to be imposed.

8.3. Appeal.

Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board. To exercise this right, the violator must deliver a written notice of appeal to the Association's manager, President, or Secretary within 10 days after the hearing date.

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Article 9
Miscellaneous

9.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

9.2. Conflicts.

If there are conflicts among the provisions of Florida law, the Articles of Incorporation, the Charter, and these By-Laws, the provisions of Florida law, the Charter, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

9.3. Books and Records.

(a) *Turnover of Books and Records.* Within 90 days after termination of the Founder Control Period, the Founder shall deliver to the Association all property and other items required by Section 307 of the Act, as it may be amended and/or renumbered from time to time.

(b) *Inspection by Members and Mortgagees.* Except to the extent that Florida law permits the Association to restrict access to certain types of records, the Association's official records shall be maintained within the State of Florida and shall be made available for inspection and copying by any holder, insurer, or guarantor of a first Mortgage on a Unit; any Member; or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Governing Documents; the membership register; books of account; the minutes of meetings of the Members, the Board, and committees; the South Florida Water Management District Permit (and any modifications); and any other records as required by Florida law. The Board shall provide for such inspection to take place within 10 business days after receipt of a written request for access at the Association's office or at such other place within the Community as the Board shall designate.

(c) *Rules for Inspection.* The Board may adopt reasonable written rules governing the frequency, time, location, notice, scope, and manner of inspections but may not impose a requirement that an Owner demonstrate any proper purpose for the inspection or state any reason for the inspection, and may not limit an Owner's right to inspect records to less than one 8-hour business day per month. The Association shall maintain an adequate number of copies of the recorded governing documents to ensure availability to Members and prospective Members. The Board may establish fees to cover the costs of providing copies of the official records, subject to the limitations of Section 303 of the Act.

(d) *Inspection by Directors.* Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties owned or controlled by the Association. A director's right of inspection includes the right to make a copy of relevant documents at the Association's expense.

18
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9.4. Notices.

(a) **Form of Notice and Method of Delivery.** Except as otherwise provided in the Charter or these By-Laws or by Florida law, all notices, demands, bills, statements, or other communications under the Charter or these By-Laws shall be in writing and may be delivered in person, by United States mail, by private carrier, or if the intended recipient has given its prior written authorization to use such method of delivery, by facsimile or electronic mail with written confirmation of transmission.

(b) **Delivery Address.** Notices shall be delivered or sent to the intended recipient as follows:

(i) if to a Member, at the address, telephone facsimile number, or e-mail address that the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such Member;

(ii) if to the Association, the Board, or a committee of either, at the address, facsimile number, or e-mail address of the principal office of the Association or its managing agent or at such other address as the Association shall designate by notice in writing to the Members pursuant to this Section; or

(iii) if to the Founder, at the Founder's principal address as it appears on the Department of State's records, or at such other address as the Founder shall designate by notice in writing to the Association pursuant to this Section.

(c) **Effective Date.** Notice sent in accordance with Section 9.4 of these By-Laws shall be deemed to have been duly given and effective:

(i) if sent by United States mail, when deposited with the U.S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; or

(iii) if sent by telephone facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

9.5. Amendment.

(a) **By Founder Member.** Until termination of the Founder Control Period, the Founder Member may unilaterally amend these By-Laws, subject to the approval requirements in the Charter, if applicable.

(b) **By Members Generally.** Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners representing 67% of the total votes in the Association, and the consent of the Founder Member, if such exists. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

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(c) *Validity and Effective Date of Amendments.* Amendments to these By-Laws shall become effective upon recordation unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its recordation, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

No amendment may remove, revoke, or modify any right or privilege of the Founder or the Founder Member without the written consent of the Founder, the Founder Member, or the assignee of such right or privilege.

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CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Villas of Torino Community Association, Inc., a Florida corporation not-for-profit.

That the foregoing By-Laws constitute the original By-Laws of the Association, as duly adopted by resolution of the Board of Directors thereof on the 3th day of February, 2007.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 5th day of February, 2007.

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James L. Sigmund
James L. Sigmund, Secretary of the Association

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