

TOWER SHORES BEACH ASSOCIATION, INC.
BYLAWS – Adopted 09/03/2020

ARTICLE I: CORPORATE NAME AND IDENTIFICATION

- A. Name: The organization shall be known as and identified as the Tower Shores Beach Association, Inc. (Hereinafter “The Association”). The Association shall be operated by the Board of Directors, whose authority shall be limited only by the law of the State of Delaware, these Bylaws, or by the valid enforceable Restrictive Covenants or Declarations of record described herein.
- B. Registered Agent / Office: The Registered Agent for the Association shall be named by the Board of Directors.
- C. Corporate Seal: The corporate seal shall have inscribed thereon the name of the Association, the year of the incorporation and the words “Incorporated Delaware”.

ARTICLE II: DEFINITIONS

- A. “Assessment” or “common expense assessment” means the sums attributable to each Unit and due to the Association as a result of the common expense liability allocated to each Unit by virtue of the Restrictive Covenants.
- B. “Association” or “Unit Owners' Association” means the Tower Shores Beach Association, Inc.
- C. “Bylaws” means the recorded document (and any recorded amendments thereto) that contains the procedures pertinent to conducting the affairs of the Association. This document and any subsequent amendments constitute the “Bylaws”.
- D. “Common elements” means any real estate and/or improvements thereon within the Tower Shores development which is owned or leased by the Association, and specifically excludes the individual lots and Units owned by any other person.
- E. “Common expenses” means expenditures made by, or financial liabilities of, the Association, together with any allocations to reserves, related to common elements, other Units or other real estate described in the Declaration or Restrictive Covenants.
- F. “Common expense liability” means the liability for common expenses allocated to each Unit.
- G. “Declaration” means the recorded instruments, however denominated, that create a common interest community, including any amendments to those instruments and any document creating covenants running with the land or any amendments thereto. These include any and all Restrictive Covenants of record.
- H. “Board of Directors” or “Board” means the governing body of the Association, regardless of name, designated in the Declaration or Bylaws to act on behalf of the Association.
- I. “Lease” means a lease or other agreement, written or oral, that establishes the terms and conditions for the use and occupancy of a Unit by a tenant for a price considered as rent.
- J. “Person” means an individual, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision, instrumentality or agency, limited liability company, or other legal or commercial entity. In the case of a land trust established pursuant to any statute providing for the creation of a land trust, however, “person” means the beneficiary of the trust rather than the trust or the trustee.
- K. “Record,” when used as a noun, means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable format.
- L. “Recorded” means, with respect to the declaration or Bylaws of Tower Shores and any amendments thereto, to be placed of-record at the office for the Recorder of Deeds in and for Sussex County, Delaware.

- M. "Repair and replacement reserve" or "Reserve Fund" means a reserve sum of money or other monetary equivalent maintained by the Board of Directors solely for the repair and replacement of common elements, and for no other purpose, including operating budget shortfalls or other expenditures appropriately addressed by a contingency reserve.
- N. "Reserve study" has the meaning as contained in the Delaware Uniform Common Interest Ownership Act (DUCIOA), 25 Del.Code Chapter 81, and will be performed if and when required under DUCIOA or Delaware Law.
- O. "Residential purposes" means use for dwelling and appurtenant recreational purposes, or both.
- P. "Restrictive Covenants" is synonymous with the term Declaration.
- Q. "Rule" or "rules" means any rule, procedure or regulation of the Association as approved by the Board with community input, however denominated, that does not appear in the Declaration or Bylaws and that governs either the management of the Association or the common interest community or the conduct of persons or property within the common interest community.
- R. "Special assessment" means an assessment duly adopted from time to time for an unexpected, nonrecurring or other common expense not included in the annual budget.
- S. "Tenant" means a tenant or lessee of a Unit, including any subtenant, sublessee, or licensee.
- T. "Unit" means a subdivision lot as depicted on the records of the Sussex County Recorder of Deeds, except however, where one or more lots have been joined to accommodate a single dwelling Unit, such dwelling Unit shall be considered one Unit. In the case of multifamily dwellings located on one or more lots, each family Unit shall be considered a Unit.
- U. "Unit Owner" or "Owner" means a person who owns a Unit as reflected in the deed recorded in the Sussex County, DE land records, but does not include a person having an interest in a Unit solely as security for an obligation or a tenant.
- V. "Good Standing" means any Owner whose Assessments, Dues, Charges and/or Fines are paid in full and is not in violation of the Restrictive Covenants, these Bylaws, or any rules or regulations.
- W. "Notice" within this document shall be defined as any written communication sent by hand delivery, U.S.mail, overnight delivery or by electronic means to the last known address provided to the Association.

ARTICLE III: POWERS OF THE ASSOCIATION

- A. General Powers: The Association may engage in any lawful business or activity within or without the State of Delaware unless expressly prohibited by the Certificate of Corporation of the Association; these Bylaws; the Restrictive Covenants, Declaration, Code of Regulations, or other similar documents evidencing covenants running with the land; or the laws of the United States, the State of Delaware or any political subdivision thereof having jurisdiction over the Association or the Tower Shores Subdivision.
- B. The Governing Documents: The Association is subject to a certain set of Restrictive Covenants, Declarations, Code of Regulations, or other documents creating the condominium or subdivision for which this Association serves. To the fullest extent possible, those documents are incorporated by reference into these Bylaws. In the event of a conflict, the Restrictive Covenants, Declaration or Code of Regulations shall govern in the event of a conflict with these Bylaws unless otherwise provided. Where possible, these Bylaws and Restrictive Covenants shall be read together and their interpretation reconciled in the event of ambiguity.
- C. Adoption of Bylaws: These Bylaws are adopted in conformity with 25 Del.C. § 81-306 and are recorded with the Sussex County Recorder of Deeds.
- D. The Association, subject to these Bylaws and the Governing Documents, shall adopt an annual budget and collect assessments for common expenses, including funds for the repair and replacement reserve, from Unit Owners and may invest any funds of the Association;

- E. Defined Authority: The Association, through its Board of Directors and without Member approval, may engage in the following activities for the benefit of the community, to wit:
1. May adopt reasonable rules and regulations for operation, control, and regulation of the common areas;
 2. May hire and discharge managing agents and other employees, agents, and independent contractors;
 3. May institute, defend, or intervene in litigation, arbitration, mediation or administrative proceedings in its own name on behalf of itself on matters affecting the common interest of the community.
 4. May make contracts and incur liabilities;
 5. May own, insure, and regulate the use, maintenance, repair, replacement, and modification of common elements;
 6. May cause additional improvements to be made as a part of the common elements;
 7. May acquire, hold, encumber, and convey in its own name any right, title, or interest to real estate or personal property;
 8. May grant easements, leases, licenses, and concessions through or over the common elements;
 9. May impose and receive any payments, fees, or charges for the use, rental, or operation of the common elements and for services provided to Unit Owners;
 10. May suspend any privileges of Unit Owners, other than the right of a Unit Owner to vote on any matter submitted to a vote of Unit Owners, or services provided to Unit Owners by the Association (other than those necessary for the habitability of the Owner's Unit) for non-payment of assessments; may impose charges for late payment of assessments, and, after notice and an opportunity to be heard, may levy reasonable fines for violations of the Declaration, Restrictive Covenants, Bylaws and rules and regulations of the Association;
 11. May impose reasonable charges for the preparation and recordation of Amendments to the Declaration, resale certificates, or statements of unpaid assessments;
 12. May provide for the indemnification of its Officers and Board of Directors and maintain Directors' and Officers' liability insurance;
 13. May assign its right to future income, including the right to receive common expense assessments, except to the extent limited by the Declaration;
 14. May exercise any other powers conferred by the governing documents, Certificate of Incorporation, Bylaws, or generally by the laws of the State of Delaware;
 15. May exercise all other powers that may be exercised in this State by legal entities of the same type as the Association;
 16. May exercise any other powers necessary and proper for the governance and operation of the Association;
 17. May commence litigation, arbitration, mediation or administrative proceedings against any person, provided the Board of Directors shall promptly provide notice to the Unit Owners of any litigation filed by or against the Association. Notwithstanding the above, the Association need not provide notice to the Members regarding proceedings involving enforcement of rules or regulations and claims for assessments. The Board of Directions shall use its reasonable judgment to determine whether to exercise the Association's powers to impose sanctions and pursue legal action for violations of the Declaration, Bylaws and rules or regulations including, without limitation, whether to compromise any claim made by or against it, including claims for unpaid assessments. The Association shall have no duty to take enforcement action if the Board of Directors, acting in good faith and without a conflict of interest, determines that, under the facts and circumstances presented:
 - a) The Association's legal position does not justify taking any or further enforcement action;

- b) The covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with current law;
 - c) Although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or
 - d) It is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue an enforcement action.
 - e) The Board of Directors' decision not to pursue enforcement under one set of circumstances does not prevent the Association from later taking any enforcement action under another set of circumstances, except the Board of Directors may not be arbitrary or capricious in taking any enforcement action. The Board of Directors failure to take action to enforce the Restrictive Covenants, Declaration, or these Bylaws, shall not act as a waiver or modification of any provision. The Association, through its Board of Directors, may compromise any claim made by or against it, including claims for unpaid assessments.
 - f) The enumeration of certain powers above is not intended to diminish the general powers of the Board of Directors or the Association in any manner.
18. Nothing provided herein shall be construed to prevent the Board of Directors from seeking member approval for any action at the discretion of the Board of Directors.

ARTICLE IV: MEETINGS OF MEMBERS

- A. Annual Meeting of Members: The Annual Meeting of Members shall be held on Memorial Day weekend in May, in each year, at a time to be determined by the Board of Directors, at which meeting they shall elect by ballot (including absentee ballot), by plurality vote, a Board of Directors and may transact such other business as may come before the meeting, with at least 45 days notice in advance. The business to be conducted at the Annual Meeting of Members shall include, at a minimum:
 - 1. Election of Directors for the next term;
 - 2. Ratification of the budget for the next year;
 - 3. Ratification of assessments, either annual or special, as provided and as may be required by the Declarations, but only if such assessments are being increased from the preceding year; and
 - 4. Such other business as the President shall place on the agenda.
- B. Special Meetings of Members: Special meetings of the members may be called by the President, a majority of the Board of Directors, or by 20% of the membership at any time with notice as provided below. If the Association does not notify Unit Owners of a special meeting within 45 days after the requisite number or percentage of Unit Owners requested the Secretary to do so, the requesting members may directly notify all the Unit Owners of that meeting. Only matters described in the meeting notice required by this section may be considered at a special meeting.
- C. Notice of Meetings (Annual and Special):
 - 1. Except in cases of emergency meetings, which may be held without prior notice, not fewer than 10 nor more than 60 days in advance of any regular or special meeting of the Unit Owners, the Secretary shall cause notice of that meeting to be delivered to each Unit Owner by:
 - a) Hand delivery;
 - b) Regular mail, postage prepaid, to the Unit Owner at the address of the Unit, or to such other address as may have been designated by the Unit Owner; or
 - c) By electronic means if the Unit Owner has previously authorized such electronic notification. Any Unit Owner who provides the Association with an email address shall be deemed to have authorized electronic notification. The Unit Owner's email address

will be considered valid until the Unit Owner notifies the Association in writing of any change of email address.

2. The notice of any meeting must state the time and place of the meeting and the items on the agenda, or must state the website address where the agenda is located, and in particular must include:
 - a) A statement of the general nature of any proposed amendment to the Declaration or Bylaws;
 - b) A statement that in the absence of objection from any Unit Owner present at the meeting, the President may add items to the agenda;
 - c) Any budget changes; and
 - d) Any proposal to remove an Officer or Member of the Board of Directors.

3. The agenda for the meeting must be provided in conjunction with the Notice of Meeting or, if available, posted on the Association's website. Regardless of the agenda, Unit Owners shall be given a reasonable opportunity at any meeting to offer comments to the Board of Directors regarding any matter affecting the common interest community prior to a vote being taken.

D. Place of Meeting: Any meeting of the Members, either annual or special, may be held at any place in Sussex County, Delaware within fifteen (15) miles from Tower Shores, as may be designated.

E. Quorums: For purposes of determining a quorum, a quorum is present throughout any meeting of the Association if forty percent (40%) of Unit Owners are present in person, by proxy or by ballot at the beginning of the meeting. Once a quorum is established at the start of a meeting, that quorum shall remain throughout the meeting. If a quorum is not established, the Board of Directors reserves the right to conduct an informational session, but not a meeting, where no formal business or action of the Association may be conducted.

F. Voting:

1. Voting by oral affirmation, show of hands, or written document may be valid as determined at the discretion of the President for all matters excluding election of the Board of Directors. Subsequent to the election of the Board of Directors, the Directors shall meet to elect officers who shall each serve one (1) year terms.
2. Unless otherwise provided in the Restrictive Covenants, the owners of each Unit are entitled to cast one (1) vote.
3. Only Members (Units) in good standing shall be permitted to cast a vote.
4. If only one of several Owners of a Unit is present at a meeting of the Association, that Unit Owner shall be considered to be acting as appointed agent for the other Owners and that Owner is entitled to cast the vote allocated to that Unit unless otherwise informed by any other Owner of the lack of agency relationship. If more than one of the Owners is present, the vote allocated to that Unit may be cast only in accordance with the agreement of majority interest of the Owners, unless the Declaration expressly provides otherwise. There is a majority agreement if any one of the Owners casts the vote allocated to that unit without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Unit.
5. The vote allocated to a Unit may be cast pursuant to a proxy duly executed by a Unit Owner. A proxy terminates one year after its date, unless it specifies a shorter term. An electronic version of an absentee ballot or proxy sent by a Unit Owner shall be considered the same as an absentee or proxy delivered in person or sent via US mail.
6. Only Owners shall be permitted to vote on any matter, unless a proxy is executed by a majority of the unit owners and provided to the Secretary
7. Any vote allocated to a Unit owned by the Association may not be cast and shall not be calculated either in a quorum or in any percentage of Unit votes needed for any action by the Unit Owners.

8. Except in cases where a greater percentage of Unit votes in the Association is required, a majority of the votes cast in person, by proxy or by ballot at a meeting of Unit Owners where a quorum is present shall determine the outcome of any action of the Association where a vote is taken so long as the number of votes cast in favor comprise at least a majority of the number of votes required for a quorum for that meeting.
9. Written proposals that appear on the agenda or the ballot that fail may be amended and re-voted upon so long as such amendment is a nominal change in scope. The Board of Directors shall determine whether such change is nominal.

G. Association Membership Action in Lieu of Meeting:

1. Action may be taken by ballot without a meeting as follows:
 - a) Unless prohibited or limited by the Declaration, Restrictive Covenants, or Bylaws, any action that the Association may take at any meeting of Members may be taken without a meeting if the Association delivers a written or electronic ballot to every member entitled to vote on the matter. A ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action.
 - b) All solicitations for votes by ballot must:
 - i) Indicate the number of responses needed to meet the quorum requirements;
 - ii) State the percentage of approvals necessary to approve each matter other than election of Directors;
 - iii) Specify the time by which a ballot must be delivered to the Association in order to be counted, which time shall not be less than three days after the date that the Association delivers the ballot; and
 - iv) Describe procedures (including time and size and manner) by when Unit Owners wishing to deliver information to all Unit Owners regarding the subject of the vote may do so.
 - c) Approval by the ballot pursuant to this section is valid only if:
 - i) The number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action; and
 - ii) The number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes by ballot.

ARTICLE V: THE BOARD OF DIRECTORS

- A. General Powers: The Board of Directors may act in all instances on behalf of the Association and shall have full power and authority to manage all affairs of the Association, to control and regulate the common areas, and to engage in all business affairs as permitted by the laws of the State of Delaware to the fullest extent possible, except and unless those powers are specifically limited by other provisions of these Bylaws, the Certificate of Incorporation, the Restrictive Covenants/Declarations or other similar covenant running with the land, or otherwise in conflict with the laws of the State of Delaware. In the performance of their duties, Officers and Members of the Board of Directors shall exercise the degree of care and loyalty to the Association required of an Officer or Director of a corporation organized under Delaware law. Officers and Members of the Board of Directors shall exercise the degree of care and loyalty required of an Officer or Director of a nonprofit corporation

organized under Delaware law. The standards of care and loyalty described in this section apply regardless of the form of legal entity.

B. Restrictions of the Board of Directors: The Board of Directors may not act on behalf of the Association to amend the declaration or the Bylaws, to terminate the common interest community, or to elect Members of the Board of Directors or terms of office of Board Members, but the Board of Directors may fill vacancies in the Board for the unexpired portion of any term.

C. Meetings of the Board of Directors: A meeting of the Board of Directors must be held at least quarterly. Special meetings of the Board of Directors may be called by the President or a majority of the Board of Directors.

1. Notice of Meetings to Members: The Secretary, except in cases of emergency meetings or changes to the regularly scheduled meeting as posted on the Association's website, shall cause notice of any other regular or special Executive Board meeting to be posted on the Association's website and to be delivered to each Unit Owner not fewer than 10 nor more than 60 days in advance of the meeting (but not later than the time notice of the meeting is sent to members of the Board of Directors). The notice must state the time and place of the meeting and the items on the agenda, including an opportunity for Unit Owners to offer comments to the Board of Directors regarding any matter affecting the common interest community.

a) Notwithstanding the above, the Secretary may at the beginning of each fiscal year, provide all Members with a list of the date and time of all regular meetings of the Board of Directors. ("Annual BOD Meeting Notice"). The Annual BOD Meeting Notice shall provide the date, time, and place of said meeting. If the meeting is to be held telephonically or by video phone, the Annual BOD Meeting Notice shall so note.

2. Quorum: A quorum of the Board of Directors is present if a majority of the Members of the Board of Directors is present. Attendance of a Director at a meeting of the Board of Directors may be by telephone.

3. Open Meetings: All meetings of the Board of Directors shall be open to the Unit Owners except for executive sessions held for purposes of:

a) Consulting with the Association's lawyer regarding, or Board discussion of, litigation, mediation, arbitration or administrative proceedings or any contract matters;

b) Labor or personnel matters;

c) Discussion of matters relating to contract negotiations, including the review of bids or proposals, if premature general knowledge of those matters would place the Association at a disadvantage; or

d) Discussion of any complaint from or alleged violation by a Unit Owner, when the Board of Directors determines that public knowledge would violate the privacy of the Unit Owner

4. Distribution of Materials: If any materials are distributed to the Board of Directors before the meeting, the Association shall at the same time make copies of those materials reasonably available to Unit Owners, except that the Association need not distribute copies of unapproved minutes or materials that are to be considered in executive session.

5. Telephonic or Video Conference Meetings: The Board of Directors may meet in a telephonic or video conference call or interactive electronic communication process provided that:

a) The meeting notice must indicate that the meeting is to be a telephonic, video or other conference and, if not a meeting in executive session, provide information as to how

Unit Owners may participate in the conference directly or by meeting at a central location or conference connection; and

- b) The process must provide all Unit Owners the opportunity to hear the discussion and offer comments as provided below.

6. Comments Offered by Non-Board Members: At a meeting of the Board of Directors, Members may offer Comments as follows:

- a) Members of the Association may offer comments in writing by providing said written comments to the Secretary at any time before or after the meeting of the Board of Directors;
- b) Members may request permission of the President, or other presiding Officer over the meeting, to offer verbal comment during the meeting. Such authorization for oral comment shall be subject to the President's, or other presiding Officer's, discretion based on such factors as the length of the meeting, the complexity of the issue, the purpose of the meeting, and other such factors as deemed important by the President or presiding Officer. Regardless of the agenda, Unit Owners shall be given a reasonable opportunity at any meeting to offer comments to the Board of Directors regarding any matter affecting the common interest community prior to a vote being taken.

7. Action by Unanimous Consent: Notwithstanding the above provisions, the Board of Directors may act without formal meeting or notice of meeting and by unanimous consent as documented in a record signed by all its Members, including email consent, but the Board of Directors may not act by unanimous consent to:

- a) Adopt a rule, budget or special assessment,
- b) Impose a fine or take action to enforce the Declaration, Bylaws or rules,
- c) Buy or sell real property,
- d) Borrow money, or
- e) Contract for any sum greater than one percent of the Association's annual budget. The Secretary shall promptly notify all Unit Owners of any action taken by unanimous consent.

8. Actions by Emergency Meeting: Notwithstanding the above provisions, the Board of Directors may call and convene an emergency meeting of the Board of Directors, either in person or by phone, without notice, for purposes of conducting business on an emergency basis.

For purposes of this section only, an "emergency" is defined as any event or circumstance or series of events which have occurred, are occurring, or which reasonably may occur in the immediate future which could jeopardize the Association's property, persons, legal interests, legal standings, or in any manner jeopardize the life, health, welfare, or property interest of the Association or any of its members. It shall be the President's sole discretion and decision to determine if and when an emergency occurs.

D. Members of the Board of Directors: The Board of Directors shall consist of no more than nine (9) Members and no fewer than five (5) Members. Members of the Board of Directors including its officers must be Unit Owners in Tower Shores, as evidenced by a recorded Deed in the Land Records of Sussex County, DE. Directors are elected for a two (2) year term.

- E. Compensation of Directors: Directors and Members of Standing Committees shall receive no compensation for attendance at each regular or special meeting thereof. However, they may be paid their actual travel expense to and from each such meeting if the Directors so decide. Directors and Members of Standing Committees shall be reimbursed for any reasonable out-of-pocket expenses.
- F. Officers of the Corporation: The Officers of the corporation shall be a President, one or more Vice-Presidents, a Secretary, a Treasurer, and such other Officers as may from time to time be chosen by the Board of Directors.
- G. Vacancies: If the office of any Officer or Officers becomes vacant for any reason, the vacancy shall be filled by the affirmative vote of a majority of the whole Board of Directors.
- H. The Officers of the Corporation:

- 1. The President: The President shall be the Chief Executive Officer of the Association. It shall be his/her duty to preside at all meetings of the Members and Directors; to have general and active management of the business and affairs of the Association; to see that all orders and resolutions of the Board of Directors are carried into effect; to execute all contracts, agreements, deeds, bonds, mortgages, and other obligations and instruments, in the name of the corporation, and to affix the corporate seal thereto when authorized by the Board of Directors.

He/She shall have the general supervision and direction of the other Officers of the Association and shall see that their duties are properly performed.

He/She shall submit a report of the operations of the Association for the year to the Directors at their regular meeting in May of each year and to the Members at their Annual Meeting.

He/She shall be ex-officio a Member of all standing committees and shall have the general duties and powers of supervision and management usually vested in the office of the President of a corporation.

- 2. The Vice President: The Vice-President, or Vice-Presidents, in the order designated by the Board of Directors, shall be vested with all the powers and required to perform all the duties of the President in his/her absence or disability and shall perform such other duties as may be prescribed by the Board of Directors.
- 3. The Secretary: The Secretary shall attend all meetings of the Association, the Board of Directors, and such meetings of standing committees as the Secretary deems necessary. He/she shall act as clerk thereof and shall record all the proceedings of such meetings in a book or other reasonable place and by such means reasonable for that purpose. He/she shall give proper notice of meetings of Members and Directors and shall perform such other duties as shall be assigned to him by the President, or the Board of Directors.
- 4. The Treasurer: The Treasurer shall have custody of the funds and securities of the Association and shall keep full and accurate accounts of receipts and disbursements in books or other suitable storage media belonging to the Association and shall deposit all moneys and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors.

He/she shall disburse the funds of the Association as may be ordered by the Board of Directors or President, taking proper vouchers for such disbursements, and shall render to the President and Directors, whenever they may require it, an account of all his transaction as Treasurer and of the financial condition of the Association and at the regular meeting of the Board next preceding the Annual Members meeting, a like report for the preceding year.

He/she shall give the Association a bond, if required by the Board of Directors, in such sum and in form and with security satisfactory to the Board of Directors for the faithful performance of the duties of his office and the restoration to the Association, in case of his death, resignation or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession, belonging to the Association. He/she shall perform such other duties as the President or Board of Directors shall assign.

- I. Removal of Officers: The Unit Owners, by a two-thirds vote of all persons present, in person, by proxy or by ballot, and entitled to vote at any meeting of the Unit Owners at which a quorum is present, may remove any Member of the Board of Directors with or without cause, provided as follows:
 1. The Unit Owners may consider the question of whether to remove a Member of the Board of Directors either:
 - a) At any duly called meeting of the Unit Owners at which a quorum is present if that subject was listed in the notice of the meeting, or
 - b) At a special meeting called for the purpose of removing a Member of the Board of Directors, whether or not a quorum is present, so long as the voting at the special meeting is conducted in the manner described in subsection (3) of this section.
 2. At any meeting at which a vote to remove a Member of the Board of Directors is to be taken, the Board of Directors shall provide a reasonable opportunity to speak before the vote to all persons favoring and opposing removal of that Member, including the Member being considered for removal.
 3. If a special meeting is called for the purpose of removing a Member of the Board of Directors, then the following rules apply, whether or not a quorum is present at that meeting in person or by proxy:
 - a) After all persons present at the meeting have been given a reasonable opportunity to speak, the meeting shall be recessed for a period calculated in the manner described in paragraph (3)(b) of this section below.
 - b) Promptly following the recess, the Association shall notify all Unit Owners of the recessed meeting and inform the Unit Owners of their opportunity to cast votes either in favor or against removal during the 45-day period following the day that the notice is sent.
 - c) The notice sent to Unit Owners shall specifically inform them of their right to cast votes either in a secret written ballot, on a form provided to the Unit Owners or by electronic means according to instructions contained in that notice.
 4. Whether a vote under subsection (3) of this section is taken before or after a recess, and whether or not taken by electronic means, a Member of the Board of Directors may be removed only if the number of votes cast in favor of removal:
 - a) Exceeds the number of votes cast in opposition to removal; and
 - b) Is greater than one-third of the total votes of the Association.

VI: COMMON INTEREST PROPERTY UPKEEP AND MAINTENANCE

- A. Except to the extent provided by the Declaration, the Association, through its Board of Directors, is responsible for maintenance, repair, and replacement of the common elements, and each Unit Owner is

responsible for maintenance, repair, and replacement of the Unit Owner's Unit. If damage is inflicted on the common elements or on any Unit through which access is taken, the Unit Owner responsible for the damage, or the Association if it is responsible, is liable for the prompt repair thereof. Each Unit Owner is likewise responsible for the costs, as determined by the Association, associated with the maintenance, repair and replacement of common elements. The Board of Directors shall determine when and to what extent such maintenance, repair and replacement shall be required.

VII: ASSESSMENTS AND OTHER LIENS

A. Common Element Assessments:

1. All assessments shall be governed and controlled by the Declaration, Restrictive Covenants, and any and all other formation documents to the fullest extent permitted, and not limited, by these Bylaws or Delaware law.
2. After an assessment has been made by the Association, assessments must be made at least annually, based on a budget adopted at least annually by the Association.
3. Any past due common expense assessment or installment thereof bears interest at the rate of 18% per annum.
4. Any common expense associated with the maintenance, repair, or replacement of a limited common element must be assessed against the Units to which that limited common element is assigned, equally, or in any other proportion the Declaration provides.
5. Any common expense or portion thereof included as part of the common expense budget, but benefiting fewer than all of the Units, including fees for services (excluding fees for trash and recycle removal) provided by the Association to occupants of individual Units, must be assessed exclusively against the Units benefited based on their use and consumption of services.
6. Assessments to pay a judgment against the Association may be made only against the Units in the subdivision at the time the judgment was entered, in proportion to their common expense liabilities.
7. If any common expense is caused by the misconduct of any Unit Owner or a Unit Owner's guests or invitees, the Association may assess that expense exclusively against the Unit of that Unit Owner.
8. If common expense liabilities are reallocated, common expense assessments and any installment thereof not yet due must be recalculated in accordance with the reallocated common expense liabilities.

B. Liens for Assessments:

1. The Association, by operation of law, has a statutory lien on a Unit for any assessment levied against that Unit or fines imposed against its Unit Owner. Any other sums due the Association under the Declaration, these Bylaws, or Delaware law as a result of an administrative or judicial decision, together with Court costs and reasonable attorneys' fees incurred in attempting collection of the same, are enforceable against the Unit. If an assessment is payable in installments, the lien is for the full amount of the assessment from the time the first installment thereof becomes due. Unless the Declaration provides for a different rate of interest, interest on unpaid assessments shall accrue at the rate of 18% per annum.

2. The Association, upon written request, shall furnish to a Unit Owner a statement setting forth the amount of unpaid assessments against the Unit. If the Unit Owner's interest is real estate, the statement must be in recordable form. The statement must be furnished within 10 business days after receipt of the request and is binding on the Association, the Board of Directors, and every Unit Owner.

VIII: INSURANCE AND INDEMNIFICATION AND HOLD HARMLESS

The Association shall maintain a liability policy in a suitable amount as determined by the Board of Directors. The Association may maintain any other insurance as may be determined appropriate by the Board of Directors, including errors and omissions coverage on the Board of Directors and its agents and assigns. No Officer or Director shall be held liable by the Association or any member of the Association for any violation of a fiduciary duty related to the governance of the Association, except for a violation of the duty of loyalty. In the event any Officer or Director of the Association is named in any action, sued, or found liable in relation to his/her actions regarding the operation of the Association, the Association shall provide legal representation and, if appropriate, indemnify said Officer or Director for any and all losses or judgments related thereto, including recovery of reasonable attorney's fees, except in the case of a violation of the fiduciary duty of loyalty.

IX: ASSOCIATION RECORDS

- A. The Association shall maintain the following records in written form or in another form capable of conversion into written form within a reasonable time:
 1. Detailed records of receipts and expenditures affecting the operation and administration of the Association and other appropriate accounting records, including those for the repair and replacement reserve. All financial records shall be kept in accordance with generally accepted accounting practices.
 2. Minutes of all meetings of its Members and Board of Directors, a record of all actions taken by the members or Board of Directors without a meeting, and a record of all actions taken by a committee of the Board of Directors in place of the Board of Directors on behalf of the Association.
 3. A record of its Members in a form that permits preparation of a list of the names and addresses of all Members, showing the number of votes each Member is entitled to cast and the Members' class of membership, if any.
 4. In addition, the Association shall keep a copy of the following records at its principal office, on its web site, or, at a place designated by the President which will permit reasonable access to Members after request.
 - a) Its original or restated Certificate of Incorporation and Bylaws and all amendments to them currently in effect;
 - b) The minutes of all Members' meetings and records of all action taken by Members without a meeting for the past three years;
 - c) Any financial statements and tax returns of the Association prepared for the past three years, together with the report of the auditors of the financial records;
 - d) A list of the names and addresses of its current Directors and Officers;
 - e) Its most recent annual report delivered to the Secretary of the State;
 - f) The Association's most recent reserve study, if applicable; and

- g) Financial and other records sufficiently detailed to enable the Association to complete a disclosure to Unit Owners in transferring ownership to buyers in compliance with 6 Del. C. § 81-409.
- B. All records kept by the Association, including the Association's membership list and address, and aggregate salary information of employees of the Association, if any, shall be available for examination and copying by a Unit Owner or the Unit Owner's authorized agent so long as the request is made in good faith and for a proper purpose related to the Owner's membership in the Association. This right of examination may be exercised:
 - 1. Only during reasonable business hours or at a mutually convenient time and location, and
 - 2. Upon ten business (10) days' written notice reasonably identifying the purpose for the request and the specific records of the Association requested.
- C. Records kept by the Association may be withheld from inspection and copying to the extent that they concern:
 - 1. Personnel matters relating to specific persons or a person's medical records;
 - 2. Contracts, leases, and other commercial transactions to purchase or provide goods or services, currently in or under negotiation;
 - 3. Pending or threatened litigation, arbitration, mediation or other administrative proceedings;
 - 4. Matters involving federal, state or local administrative or other formal proceedings before a government tribunal for enforcement of the Declaration, Bylaws or rules;
 - 5. Communications with legal counsel which are otherwise protected by the attorney-client privilege or the attorney work product doctrine;
 - 6. Disclosure of information in violation of law;
 - 7. Meeting minutes or other confidential records of an executive session of the Board of Directors; or
 - 8. Individual Unit Owner files other than those of the requesting Owner.
- D. An attorney's files and records relating to the Association are not records of the Association and are not subject to inspection by Owners or production in a legal proceeding for examination by Owners.
- E. The Association may charge a fee for providing copies of any records under this section but that fee may not exceed the actual cost of the materials and labor incurred by the Association.
- F. The right to copy records under this section includes the right to receive copies by xerographic or other means, including copies through an electronic transmission if available and so requested by the Unit Owner.
- G. The Association is not obligated to compile or synthesize information.
- H. Information provided pursuant to this section may not be used for commercial purposes.

X: BUDGET RATIFICATION

- A. The Board of Directors shall, at least annually, prepare a proposed budget for the common interest community and in conformity with the Restrictive Covenants. The proposed budget shall include a line item for any required funding of a repair and replacement reserve. Within 30 days after ratification of any proposed budget, the Board of Directors shall provide to all Unit Owners a summary of the budget, including any reserves and a statement of the basis on which any reserves are calculated and funded. This budget will be presented at the Annual Meeting of Members. Unless at that meeting, a majority of all Unit Owners (or any larger vote specified in the Declaration) reject the budget, the budget is ratified, whether or not a quorum is present. If a proposed periodic budget is rejected, the periodic budget last ratified by the Unit Owners must be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Board of Directors.

- B. In addition to ratification of its regular periodic budget, the Board of Directors may at any time propose a budget that would require a special assessment against all the Units. Any special assessment shall comply with the provisions of Subsection A above and may be ratified as stated above. If the Board of Directors determines by unanimous vote that the special assessment is necessary in order to respond to an emergency, then:
1. The special assessment shall become effective immediately in accordance with the terms of the vote;
 2. Notice of the emergency assessment shall be promptly provided to all Unit Owners; and
 3. The Board of Directors shall spend the funds paid on account of the emergency assessment solely for the purposes described in the vote.
- C. Surplus Funds: So long as any surplus funds remain reasonably available to fund operating or reserve expenses from year to year, no refund to Unit Owners shall apply. The Board of Directors may recommend a refund of any surplus funds to the Unit Owners by making a proposal to vote at the Annual Meeting.

ARTICLE XI: FISCAL YEAR

The fiscal year of the Association effective June 1, 2011 shall be from June 1 through May 31 of the following year.

ARTICLE XII: CHECKS FOR MONEY

All checks, drafts, or orders for the payment of money shall be signed by the Treasurer or by such other Officer or Officers as the Board of Directors may from time to time designate. No check shall be signed in blank.

ARTICLE XIII: BOOKS AND RECORDS

The books, accounts, and records of the Association except as otherwise required by the Laws of the State of Delaware, may be kept within or without the State of Delaware, at such place or places as may from time to time be designated by the Bylaws or by resolution of the Directors.

ARTICLE XIV: AMENDMENT OF BYLAWS

These Bylaws may be amended, altered, repealed or added to at any annual meeting of the Association or at any special meeting called for that purpose by the affirmative vote of a majority of owners where a quorum is present.

ARTICLE XV: MISCELLANEOUS

- A. All references to any gender designation shall include both gender designations. Failure to recognize gender distinction or reference either a neutral or equivalent gender distinction shall not imply gender discrimination or gender preference.
- B. All references to the singular shall include the plural. All references to the plural shall include the singular.

Note: These Bylaws were approved by the Tower Shores Beach Association owners by votes cast during the 2020 election and tabulated by the Election Committee in Bethany Beach, DE on 9/3/2020.