

**AMENDED AND RESTATED BY-LAWS
OF LONG COVE CLUB OWNERS' ASSOCIATION, INC.**

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**BY-LAWS OF LONG COVE CLUB OWNERS ASSOCIATION, INC.
EFFECTIVE OCTOBER 11, 2011**

**ARTICLE I
IDENTITY and PURPOSE**

Whereas Long Cove Club Owners Association, Inc. (the “Association”) is a South Carolina Non-Profit Corporation organized and existing under the laws of the State of South Carolina for the purpose set forth in ARTICLE IX of the Amended and Restated General Declaration for Long Cove Club Subdivision and Provisions for the Long Cove Club Owners Association, Inc. (the “Covenants”), certain provisions of which may be repeated in part or in full and may be renumbered herein.

Whereas Long Cove Club exists to provide its Members an exceptional quality of life and leisure in a private, secure and naturally beautiful island residential environment and whereas the Members of Long Cove Club recognize and believe the following values or guiding principles are essential to the realization of Long Cove Club’s Purpose:

Preservation of its natural beauty and casual elegance.
Outstanding reputation among top private residential communities.
Unwavering commitment to excellence and continuous improvement.
Outstanding member-preferred amenities, exceptionally maintained.
Honesty, integrity and professionalism in governance, management and communication.
Active participation in the Hilton Head Island Community.
High Member satisfaction.

Whereas, Long Cove Club Owners Association, Inc. made and declared the First Amendment to the Amended and Restated By-Laws on October 11, 2011.

NOW, THEREFORE, the following By-Laws shall govern the management and operations of Long Cove Club.

Section 1. The office of the Association shall be at the offices of Long Cove Club, 399 Long Cove Drive, Hilton Head Island, South Carolina 29928, or at such other place as may be subsequently designated by the Board of Directors of the Association.

Section 2. The Seal of the Corporation shall bear the name of the Association, the words “South Carolina Corporation,” and the year of incorporation.

Section 3. All words, as used herein, shall have the same definitions as applied to them in the Covenants.

ARTICLE II MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Every Property Owner shall be a Member of the Association, provided, however, that in the case of multiple ownership of any Residential Lot or Family Dwelling in Long Cove Club, there shall be a maximum of one (1) Member. In the event of such multiple ownership of any kind, including by a partnership or corporation, the name of the Property Owner designated as Member shall be submitted in writing to the Association on or before January 1st of each year and only the Designated Member shall be entitled to access the Recreational Amenities as a Member of the Association for that year. The Association has adopted, and may amend from time to time, a Statement of Policy concerning the application, qualification and the membership rights of proposed or current Designated Members. The Association may deny membership to any Property Owner if evidence of ownership is not in compliance with the Covenants as adopted herein or in compliance with such Statement of Policy. In the case of multiple ownership, to be a Designated Member, the Board will promulgate the necessary designation form, which must be properly submitted by the Property Owner, and the Board, in its sole discretion, shall decide to accept or reject the Designated Member and the Board's decision shall be final. Remaining Property Owners shall be entitled to access only in accordance with rules and regulations established by the Association, for guests. If no designation of a Member is made by the multiple owners, corporation or partnership all such Property Owners shall be required to pay such user fees as may be established by the Association.

Section 2. Voting Rights. A Member shall be entitled to one vote for each Family Dwelling Unit and /or Residential Lot provided, however, a Member casting a vote representing a Family Dwelling Unit shall not be entitled to cast an additional vote for the Residential Lot upon which said Family Dwelling Unit is situated. In the event of multiple ownership of any kind, including by a partnership or corporation, the name of the Property Owner designated as Member shall be entitled to cast a vote. Any Member whose privileges to use and enjoy the Common Properties have been suspended, in accordance with Article VI, Section 7, of the Covenants and such suspension is in effect at the time a notice of meeting is mailed, will not be entitled to vote.

Section 3. Voting Procedures. A Member may vote and transact business at any meeting of the Association by written, facsimile transmitted, mailed or

electronically transmitted ballot, in person or by proxy authorized in writing.

Section 4. Members to Have Power of Referendum. Where specifically provided herein, the Members, or some specific portion thereof, shall have the power to approve or reject certain actions proposed or require certain actions to be taken by the Association by Referendum including but not limited to the levy by the Association of any Special Assessment, or changes to the Capital Assessments, or the addition or deletion of functions or services which the Association is authorized to perform. In the event a majority, or more, of the votes actually returned to the Association within the specified time shall be in favor of such action, the Referendum shall be deemed to “pass” and the action voted upon will be deemed to have been authorized by the Members; provided however, that if a higher percentage vote required to “pass” shall be specifically expressed herein, that higher percentage shall control in that instance. The Board of Directors may not undertake any action requiring a Referendum without complying with the provisions hereof.

Members may, upon written application to the Secretary of the Association signed by fifteen percent (15%) or more Members, all of whom are in good-standing with the Association and represent fifteen percent (15%) or more properties, call for a meeting of the membership to require the Association to take certain action by Referendum. The signed application submitted to the Secretary of the Association must state the issue(s), state the facts pertinent to the issue(s), and recommend alternative resolution(s). The Association shall within ten (10) days of receipt of such application, provide notice of a meeting to be called in accordance with the above. The notice of the meeting shall include a statement prepared by the Members requesting the meeting stating the reasons for the meeting.

Section 5. Quorum Required for any Action Authorized at Regular or Special Meetings of the Association. The quorum required for any action, which is subject to a vote of the Members at an open meeting of the Association, shall be as follows:

The first time a meeting of the Members of the Association is called to vote on a particular action proposed to be taken by the Association, the presence at the meeting of Members or proxies entitled to cast sixty percent (60%) of the total vote of the Membership shall constitute a quorum. If the required quorum is not forthcoming at any such meeting, a second meeting may be called subject to giving of proper notice and the required quorum at such meeting shall be the presence of Members or proxies entitled to cast twenty-five percent (25%) of the total vote of the Membership of the Association. In the event the required quorum is not forthcoming at the second meeting, a third meeting may be called

subject to giving proper notice and there shall be no quorum requirement for such third meeting. Unless otherwise provided, any reference hereafter to “votes cast at a duly called meeting” shall be construed to be subject to the quorum requirements established by this Section 5, and other requirements for such “duly called meeting” which may be established by the By-Laws of the Association. This provision shall not apply when the proposed action is an amendment to the Declaration (also referred to as the “Covenants”) and the quorum requirement established by Article XIII of said Declaration shall govern in that instance. For the purpose of this Section, “proper notice” shall be deemed to be given when given to each Member not less than fifteen (15) days prior to the date of the meeting at which any proposed action is to be considered.

ARTICLE III MEETINGS OF THE MEMBERSHIP

Section 1. Place. All the meetings of the Association shall be held in the office of the Association, or at such other place and at such time as shall be designated by the Board of Directors of the Association and stated in the Notice of Meeting, and shall be open to all Members.

Section 2. Notices. It shall be the duty of the Secretary to Mail or deliver a Notice of each annual or special meeting stating the time and place thereof to each Member of record at least fifteen (15), but not more than forty-five (45) days prior to such meeting. Notices of any special meeting shall state the purpose thereof. All notices shall be delivered by Mail to the address of the Member, as it appears on the books of the Association.

Section 3. Annual Meeting. An annual meeting of the Members for the election of Directors of the Association and the transaction of such other business as may properly come before the meeting shall be held on the first Monday of November of each year, provided that if that day is a holiday, the meeting shall be held on the next business day. Directors shall be elected by plurality vote, and each Director so elected shall take office at the time of his or her election.

Members may bring a motion or motions before the Annual Meeting if such motion or motions are signed by the Property Owner and seconded by nine additional Property Owners. The motion shall be accompanied by a one page supporting statement. The motion must be submitted to the Secretary of the Association no later than ninety (90) days before the annual meeting. The Board of Directors shall determine, in its sole discretion, within thirty (30) days of receipt of the motion if the motion is appropriate for a membership vote and if appropriate it will be included on the Proxy along with the supporting statement

and voted on by each Property Owner. If the Board of Directors determines that the motion is inappropriate, it will notify the sponsoring Property Owner within thirty (30) days of receipt of the motion and the Property Owner may proceed in accordance with Section 4 below.

Section 4. Special Meeting. Special meetings of the Members for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Board of Directors or the Members upon written application to the Secretary of the Association signed by fifteen percent (15%) or more Members, in accordance with Article V, Section 4 of the Covenants. Business transacted at all special meetings shall be confined to the subjects stated in the Notice thereof.

Section 5. Adjourned Meeting. If any meeting of Members cannot be organized because a quorum does not exist, then the meeting may be adjourned from time to time until a quorum does exist.

ARTICLE IV DIRECTORS

Section 1. Board of Directors. The Association shall be governed by a Board of Directors consisting of nine (9) Members, all of whom are dedicated to maintaining the Association's Purpose and implementing the Mission Statement, as amended from time to time and which is attached hereto as Exhibit A. The terms of the directors shall be staggered so that each year three directors shall be elected for a three (3) year term. All directors must be Members of the Association. Each Member shall be entitled to as many votes as equals the number of Residential Lots and/or Family Dwelling Units which he, she or they own multiplied by the number of directors to be elected, and may cast all of such votes for any one director or may distribute them among the number to be voted for, or any two or more of them, as he, she or they may see fit, provided, however, that all votes must be cast in whole numbers and not fractions thereof. This right, when exercised, is termed "cumulative voting." In the event of corporate or other form of multiple ownership of property, only the Property Owner designated as Member, for purposes of this paragraph, shall be deemed to be a Member of the Association so as to qualify as a director herein.

Section 2. Election of Directors. The Nominating Committee will identify and select no less than three Members, who agree to serve, if elected, for the three open Board positions. The Nominating Committee shall submit its list of candidates to the Secretary of the Association by August 15. The Secretary shall immediately notify the Members by Mail of the Nominating Committee's candidates. Members who wish to be a candidate for the Board, but are not on the list prepared by the Nominating Committee, may submit a petition of

candidacy with ten Property Owner signatures. These petitions of candidacy must be filed no later than September 20 and must be accompanied by a resume and position paper. Appropriate forms may be obtained at the Administration office or upon request mailed to the Member. No Member shall be eligible for election to the Board of Directors should he or she be more than sixty (60) days delinquent in the payment of an assessment or club charges. The complete list of candidates will be sent to the Property Owners along with a ballot and notice of Annual Meeting. Ballots will be counted and the winners announced at the Annual Meeting.

Section 3. Removal of Directors. Any one or more of the directors may be removed, with or without cause, by the affirmative vote of at least a majority of Members voting at any duly convened regular or special meeting of the Members, and a successor may then and there be elected to fill the vacancy thus created. Should the Members fail to elect such successor, the Board of Directors may fill the vacancy as provided in Section 4 below.

Section 4. Vacancies on the Board of Directors. Vacancies on the Board of Directors caused by reason of death, resignation, retirement, disqualification, removal from office or otherwise, shall be filled within sixty (60) days of such vacancy by majority vote of the remaining members of the Board of Directors, and such successor or successors, shall hold office for the remainder of such terminated director's unexpired term.

Section 5. Disqualification and Resignation of Directors. Any director may resign at any time by sending a written notice of such resignation to the office of the Association, delivered to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Secretary. The transfer of title of a director's Property shall automatically constitute a resignation. No director shall continue to serve on the Board of Directors should he or she be more than sixty (60) days delinquent in the payment of an assessment or club charges; and said delinquency shall automatically constitute a resignation. No director shall continue to serve if he or she has missed three (3) consecutive or a total of five (5), regularly scheduled Board of Directors meetings during any twelve (12) month period without providing the President a valid and sufficient reason in writing for his or her failure to attend.

Section 6. Regular Meetings. The Board of Directors shall establish a schedule of regular meetings to be held at such time and place as the Board of Directors may designate. Notice of such regular meetings shall be given to each director personally, by mail, e-mail, telephone, telegraph or facsimile, at least five (5) days prior to the day named for such meeting. Notice of regular meetings shall be appropriately posted and open to all Members.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the President, and in his/her absence, by the Vice-President, or by a majority of the members of the Board of Directors, by giving five (5) days notice, in writing, to all of the members of the Board of Directors of the time and place of said meeting. All notices of special meetings shall state the purpose of the meeting. Notices of special meetings shall be appropriately posted and open to all Members.

Section 8. Executive Session Meetings. The President and in his/her absence, the Vice-President, or by a majority of the members of the Board of Directors may call for an Executive Session Meeting. Such meetings shall be called for the sole purpose of discussing contractual, legal, sensitive personnel and individual Member issues and shall not be open to the membership. All issues requiring action by the Board of Directors shall be included in the regular or special meetings of the Board of Directors.

Section 9. Directors' Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may waive notice of such meeting and such waiver shall be deemed equivalent to the giving of notice to said Director. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the directors are present at the meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 10. Quorum. At all meetings of the Board of Directors, a majority of the members of the Board of Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the members of the Board of Directors present at such meetings at which a quorum is present shall be the official and binding acts of the Board of Directors. If, at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At each such adjourned meeting, any business which might have been transacted at the meeting, as originally called, may be transacted with notice in accordance with Section 6 and 7 above.

Section 11. Compensation. The Directors' fees, if any, shall be determined by the Members of the Association.

Section 12. Powers and Duties. Except for powers and duties reserved to the Members, the Board of Directors of the Association shall have the powers and duties necessary for the administration of the affairs of the Association. The Board of Directors shall conduct themselves in accordance with the Governance

Principles, as amended from time to time and which are attached hereto as Exhibit B. These powers shall specifically include, but shall not be limited to, the following:

To fulfill its fiduciary responsibilities under State law;

To exercise all powers specifically set forth in the Covenants, in these By-Laws, in the Rules and Regulations and all powers incidental thereto;

To make assessments, collect said assessments, and use and expend the assessments in accordance with the Covenants to carry out the Purpose and powers of the Association;

To employ, dismiss, and oversee the general management necessary for the maintenance and operation of the Property and of the Common Properties including the right and power to employ attorneys, accountants, contractors and other professionals as the need arises;

To make and amend policies, rules and regulations respecting the operation and use of the Common Properties;

To contract for the general management of the Property and to delegate to such contractor the powers and duties of the Association, except those which may be required by the Covenants to have approval of the Board of Directors or Members;

To designate, in addition to the standing committees referenced in Article VI hereof, one or more committees which, to the extent provided in the resolution designating said committee and as summarized in the charter for said committee, shall be responsible to the Board of Directors. The committee or committees shall have such name or names as may be determined from time to time by the Board of Directors, and said committee(s) shall keep regular minutes of their proceedings and/or report same to the Board of Directors;

To amend, by majority vote of the Board of Directors, but not eliminate, the Mission Statement and Governance Principles and immediately notify the Members in writing of any and all such amendments.

The foregoing powers shall be exercised by the Board of Directors or its contractor or employees, subject only to approval by the Members when such is specifically required.

Section 13. Fidelity Bonds. The Board shall require that any and all officers and employees of the Association, including any manager hired by the Association, handling or responsible for Association funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Association as an operating expense.

Section 14. Liability of the Board of Directors. The members of the Board of Directors and members of all Committees shall not be liable to the Members or the Association for any mistake of judgment, simple negligence, or otherwise,

except for their own individual willful misconduct, gross negligence or bad faith. The Association shall indemnify and hold harmless each of the members of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association, unless any such contract shall have been made in bad faith. Members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. Further, the liability of any Property Owner arising out of any contract made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board of Directors shall be limited to such proportions of the total liability thereunder as his or her interest in the Common Properties bears to the interests of all Property Owners in the Common Properties.

Section 15. Term Limits. No member shall be permitted to serve on the Board of Directors for more than six (6) consecutive years.

ARTICLE V OFFICERS

Section 1. Elective Officers. The principal officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, all of which shall be elected by the Board of Directors. One person may hold more than one of the aforementioned offices. The President, Vice-President and Treasurer shall be members of the Board of Directors.

Section 2. Election. The officers of the Association designated in Section 1 above shall be elected by a majority vote every year by the Board of Directors at the organizational meeting of each new Board following the annual meeting of the Members except as otherwise approved by the Board.

Section 3. Appointed Officers. The Board of Directors shall appoint a Chief Operating Officer/General Manager (hereinafter Chief Operating Officer) and may appoint a Chief Financial Officer, Assistant Secretaries and Assistant Treasurers and such other officers of the Association as the Board of Directors deems necessary.

Section 4. Chief Operating Officer. The Board of Directors delegates to the President the day-to-day supervision of the Chief Operating Officer for the purposes of assuring that the policies and directives of the Board of Directors are accomplished. The Chief Operating Officer:

- a. receives his/her authority and responsibilities from the Board of Directors;
- b. functions as the Chief Operating Officer, is responsible to the President and accountable to the Board of Directors;

- c. is responsible for rendering quality services in a cost-efficient manner consistent with the goals and objectives of the Association;
- d. functions under the guiding principles of the Association; and
- e. is responsible for the operations, personnel management, fiscal management and member relations of the Association.

Section 5. Term. The officers of the Association shall hold office until their successors are chosen and assume office in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time, with or without cause, by the Board of Directors; provided, however, that no officer shall be removed except by the affirmative vote for removal by a majority of the entire Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors as soon as possible

Section 6. The President. The President serves in a leadership role as Chief Executive Officer of the Association, leads the Board of Directors to accomplish the mission and the requirements of the Covenants and By-Laws, is responsible to the Board of Directors and performs those functions as delegated to him/her by the Board of Directors. The President shall:

- a. Sign all employment and other contracts as authorized and directed by the Board of Directors;
- b. Select the chairperson of Standing Committees;
- c. Appoint ad hoc committees as necessary, or as may be directed by the Board of Directors;
- d. Perform all of the duties incident to his/her office, including actions delegated to him/her from time to time by the Board of Directors;
- e. Ensure that the policies and directives of the Association and the Board Reflect the opinion of the Board of Directors in all correspondence on behalf of the Board to the Members;
- f. Preside at all meetings of the Association and of the Board of Directors;
- g. Supervise the Chief Operating Officer to assure all operations are consistent with the policies and decisions of the Board of Directors; and
- h. Be the official voice of the Association to any media representative unless delegated to another member of the Board or the Chief Operating Officer.

Section 7. The Vice-President. The Vice-President shall perform all of the duties of the President in his/her absence, and such other duties as may be required of him/her from time to time by the Board of Directors of the Association.

Section 8. The Secretary. The Secretary shall issue notices of all Board of Directors meetings and all meetings of the Members and shall attend and keep the minutes of same. The Secretary shall have charge of all of the Association's

books, records, and papers, except those kept by the Treasurer. The Assistant Secretary, or other qualified party designated by the Secretary or the President, shall perform the duties of the Secretary when the Secretary is absent.

Section 9. The Treasurer. The Treasurer is responsible to the Board of Directors and shall:

- a. Have responsibility for the custody of the Association's funds and securities and shall delegate financial management responsibilities to the Chief Financial Officer;
- b. Oversee the financial operations and systems delegated to the General Manager and Chief Financial Officer;
- c. Be responsible for the preparation and presentation to the Board of Directors and subsequently the Members the Annual Operating Budget and the Capital Plan;
- d. Preside as Chairperson of the Finance/Audit Committee;
- e. Assess and report on the status of the financial operations to the Board of Directors on a monthly basis and quarterly to the Members;
- f. Assess and review all major actions, policies and contracts relevant to the financial condition of the Association;
- g. Cause to have prepared and made available to the Members audited annual financial statements, including a Balance Sheet, Statement of Operations and a Statement of Capital Fund Activity; and
- h. Present recommendations of the Finance/Audit Committee to the Board of Directors for approval, including the selection or retention of the independent auditors.

The Chief Financial Officer, Assistant Treasurer, or other qualified party designated by the Treasurer or President, shall perform the duties of the Treasurer when the Treasurer is absent.

ARTICLE VI COMMITTEES

Section 1. Standing Committees. The Association shall have the following Standing Committees: Golf/Greens, Tennis, Community Service/Security, House, Human Resources, Finance and Audit, Long Range Planning, Nominating, Marketing and Waterfront.

Section 2. Appointment to Committees. All standing committees, except the Nominating Committee, shall be chaired or co-chaired by a member of the Board of Directors. Chairs or co-Chairs are nominated by the President and approved by the Board of Directors. The committee chairperson shall submit to the Board of Directors for approval of the members of their respective

Committees. The chairperson represents the Board of Directors and conveys the policies, rules and regulations of the Association to the members of the committee and represents the plans, efforts, and recommendations of the committee to the Board. All committees shall act through their chairperson or co-chairperson.

Section 3. Responsibilities of Committees. Each committee shall:

- a. Annually review its charter, make changes deemed necessary, and submit the charter to the Board of Directors for approval.
- b. Develop an annual plan of activities consistent with its charter and submit it to the Board of Directors for approval.
- c. Assess requests of Members and make recommendations for improvements, remedies, and activities to the Board of Directors.
- d. Review the proposed annual operating and capital budgets prior to the submission to the Finance/Audit Committee.
- e. Record minutes of each meeting and submit or report to the Board of Directors.
- f. Function as a liaison between the membership and the Board of Directors and the Board of Directors to the membership.
- g. Not commit Association funds or contractually obligate the Association.

Section 4. Ad Hoc Committees. The Board of Directors, by majority vote, may form other committees as deemed appropriate for the proper administration of the Association, in accordance with Article IV, Section 12.

ARTICLE VII FINANCIAL POLICIES

Section 1. Depositories. The funds of the Association shall be deposited in such banks and depositories as may be determined by the Board of Directors from time to time upon resolutions approved by the Board of Directors, and shall be withdrawn only upon checks and demands for money signed by such officer, officers or employees of the Association as may be designated by the Board of Directors.

Section 2. Fiscal Year. The fiscal year for the Association shall begin on the 1st day of January of each year; provided, however, that the Board of Directors is expressly authorized to change to a different fiscal year in accordance with the provisions and regulations from time to time prescribed by the Internal Revenue Code of the United States of America, and at such time as the Board of Directors deems it advisable.

Section 3. Application of Payments and Commingling of Funds. All sums

collected by the Association from the Annual Operating Assessments and Club Charges may be commingled in a single fund or divided into more than one fund, as determined by the Board of Directors of the Association. All sums collected from Initiation Fees and Capital Assessments shall be maintained by the Association in a separate account (“Capital Fund”) not to be commingled with the general operating funds derived from Annual Operating Assessments and Club Charges. All assessment payments, club charges and initiation fees paid by a Property Owner shall be applied to the Property Owner’s account in such manner and amounts as the Board of Directors determines in its sole discretion.

Section 4. Audits. An annual audit of the financial statements of the Association shall be made and copies of the annual audited financial statements, accompanied by the independent auditors report, shall be made available to each Property Owner. The auditors shall report directly to the Board of Directors on the results of their audit and at least annually attend or make themselves available to attend at least one meeting of the Board of Directors.

Section 5. Application of Surplus and Deficits. Any excess operating fund over expenses before other expenses (depreciation and gain/loss on disposition of property and equipment) and capital related revenues and expenses as shown in Long Cove Club Owners’ Association Inc. audited financial statements shall be applied to the payment of any outstanding operating debt obligation. In the absence of any operating debt obligation, the excess will be used as determined by the Board of Directors. The Board shall decide to use any excess, in whole or in part to: (1) add to working capital, (2) fund operating expenses in the next budget year, and/or (3) add to the Capital Fund. Amounts added to the Capital Fund may not subsequently be used for operating purposes. If the Board takes no action with regards to any excess operating fund revenues prior to the annual meeting of the Members, the excess shall be added to working capital. If the Board designates part of the year’s excess operating fund revenues for options (2) and/ or (3) above, any remaining excess shall be added to working capital. Any excess of operating fund expenses over operating fund revenue (deficit) shall be included as a separate line item in the following year’s operating budget as an operating expense line item (titled recovery of prior years operating loss) and flowing to the bottom line as a surplus in the year following the loss.

Section 6. Transfer of Ownership. The transfer of ownership of property shall carry with it the proportionate equity of that Property Owner’s ownership in the Association’s net assets.

ARTICLE VIII COMPLIANCE AND DEFAULT

Section 1. Violations. In the event of a violation (other than the non-payment of an assessment) by a Property Owner of any of the provisions of the Covenants, these By-Laws, or the Policies, or the Rules and Regulations of the Association, the Association, by direction of its Board of Directors, may notify the Property Owner by written notice of said breach, transmitted by Mail. If such violation is, in the sole discretion of the Board of Directors, severe, the Board of Directors may impose any sanction listed below. If the violation is ongoing and is capable of being cured, and if such violation shall continue for a period of five (5) work days from date of notice, the Association, through its Board of Directors, shall have the right to treat such violation as an intentional and inexcusable and material breach of the Covenants, these By-Laws, or the Policies or the Rules and Regulations. The Association may, at its option, impose any one or combination of the following sanctions:

- a. An action at law to recover for its damage, on behalf of the Association or on behalf of the other Property Owners;
- b. An action in equity to enforce performance on the part of the Property Owner;
- c. An action in equity for such equitable relief as may be necessary under the circumstances, including injunctive relief;
- d. An action by the Board of Directors to deny or withdraw the rights and privileges to use and enjoy the Common Properties;
- e. Impose fines in accordance with Article XIV, Section 3;
- f. Deny any guest privileges to a specific guest or guests of the Member.

Any violations which are deemed by the Board of Directors to be a hazard to public health may be corrected immediately as an emergency matter by the Association, and the cost thereof shall be charged to the Property Owner as a specific item, which shall be a lien against the said Property with the same force and effect as if the charge were a part of the Annual Operating Assessment.

Section 2. Costs and Attorneys' Fees. In any proceeding arising because of an alleged default or violation by a Property Owner, the prevailing party shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court.

Section 3. No Waiver of Rights. The failure of the Association or of a Property Owner to enforce any right, provision, covenant or condition which may be granted by the Covenants, these By-Laws, the Policies and the Rules and Regulations of the Association shall not constitute a waiver of the right of the Association or Property Owner to enforce such right, provision, covenant or condition in the future.

Section 4. Election of Remedies. All rights, remedies, and privileges granted

to the Association or any Property Owner, pursuant to any terms, provisions, covenants or conditions of the Covenants, these By-Laws, Policies or the Rules and Regulations shall be deemed to be cumulative and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be granted to such other party by the Covenants, or these By-Laws or at law or in equity.

Section 5. Statement of Account. The Board of Directors shall in accordance with procedures established by the Association, for a reasonable fee to be set from time to time, promptly provide any purchaser of any property, Property Owner or Institutional Mortgagee so requesting the same in writing, with a written statement of all unpaid amounts including, but not limited to, Annual Operating, Capital and Special Assessments and Club Charges (collectively hereinafter referred to as "Account"), together with such interest and costs of collection due from any appropriate Property Owner and the purchaser's liability therefore shall be limited to the amount as set forth in the statement. Any Institutional Mortgagee may pay any unpaid Account with respect to Property in which it owns an interest and upon such payment to the Association such Institutional Mortgagee shall be entitled to have a lien on such Property for the amounts paid of the same rank as the lien of its encumbrance.

ARTICLE IX AMENDMENTS TO THE BY-LAWS

Section 1. Procedure. The By-Laws may be amended, provided that all proposed amendments shall be submitted to a vote of the Members at any duly called meeting of the Association and any such proposed amendment(s) shall be deemed approved if a majority of the votes cast at such meeting at which such proposed amendment(s) is to be considered are in favor of the amendment(s).

Section 2. Quorum. The quorum required for any action authorized to be taken by the Association under this Section 1 shall be as follows:

The first time any meeting of the Members of the Association is called to take action under this Article, the presence at the meeting of the Members or proxies entitled to cast sixty percent (60%) of the total vote of the Membership shall constitute a quorum. If the required quorum is not forthcoming at any such meeting, a second meeting may be called subject to the giving of proper notice and the required quorum at such subsequent meeting shall be the presence of Members or proxies entitled to cast fifty (50%) percent of the total vote of the Association.

**ARTICLE X
INDEMNIFICATIONS**

The Association and Members shall indemnify every Director, every committee member, every officer, his/her heirs, executors, and administrators, against all losses, costs and expenses reasonably incurred by him/her in connection with any action, suit or proceeding to which he/she may be made a party by reason of his/her being or having been a Director, officer or committee member of the Association, except as to matters wherein he/she shall be finally adjudged in such action, suit or proceeding, to be liable for or guilty of gross negligence, bad faith or willful misconduct. The foregoing rights shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.

**ARTICLE XI
LIABILITY SURVIVES TERMINATION OF MEMBERSHIP**

The termination of membership in the Association shall not relieve or release any such former Property Owner from any liability or obligations incurred under or in any way connected with the Association during the period of such ownership and membership, or impair any rights or remedies which the Association may have against such former Property Owner arising out of or in any way connected with such ownership of Property and the covenants and obligations incident thereto.

**ARTICLE XII
PARLIAMENTARY RULES**

Roberts Rules of Order (latest edition) shall govern the conduct of the Association's meetings when not in conflict with the Covenants or these By-Laws.

**ARTICLE XIII
LIENS**

Section 1. Protection of Property. All liens against Property Owners' property other than for mortgages, taxes or special assessments shall be satisfied or otherwise removed within thirty (30) days of the date the lien was attached. All taxes and special assessments upon such property shall be paid before becoming delinquent, as provided in the Covenants, these By-Laws, or by law, whichever is sooner.

Section 2. Notice of Lien. A Property Owner shall give notice to the Association of every lien upon his/her property, other than for mortgages, taxes

and special assessments within five (5) days after the attaching of the lien.

Section 3. Notice of Suit. Members shall give notice to the Association of every suit or other proceeding which will or may affect title to his/her property or any part of the property, such notice to be given within five (5) work days after the Property Owner received notice of such suit or proceeding.

Section 4. Failure to Comply. Failure to comply with this Article concerning liens will not affect the validity of any judicial sale.

ARTICLE XIV POLICIES, RULES AND REGULATIONS

Section 1. Authority. The Board of Directors may, from time to time, adopt Policies, Rules and Regulations or amend previously adopted administrative Policies, Rules and Regulations governing the details of the operation, use, maintenance, management and control of the Common Properties and any facilities or services made available to the Members. A copy of the Policies, Rules and Regulations, as amended from time to time, shall be furnished each Member.

Section 2. Conflict. In the event of any conflict between the Rules and Regulations adopted, or from time to time amended, and the terms of the Covenants, the Covenants shall prevail. In the event of any conflict between the Rules and Regulations and the By-Laws, the By-Laws shall prevail. If any unreconciled conflict should exist or hereafter arise with respect to the interpretation of these By-Laws and Covenants, the provisions of said Covenants shall prevail.

Section 3. Fines. In the event the Board of Directors determines that any Property Owner is in violation of any provisions of the Covenants, these By-Laws or any Policies, Rules and Regulations, the Board of Directors or an agent of the Board of Directors designated for that purpose, shall notify the Property Owner of the nature of the violation. If said violation is not cured within five (5) work days of such notice or if said violation consists of acts or conduct by the Property Owner and such acts or conduct by the Property Owner are repeated, the Board of Directors may, in addition to denying or withdrawing the privilege to use and enjoy the Common Properties as provided in Article VI, Section 7 of the Covenants, and in addition to any fines that may be established by the Board of Directors included in any Policies or Rules and Regulations, levy a fine of up to \$100.00 per offense against the Property Owner, occupant or other person or persons for which Property Owner is responsible. Each violation is a separate offense and each day during which the violation continues shall be a separate

offense, beginning with the date violation occurred. Such fines shall be assessed as a special assessment against the Property Owner, shall constitute a lien upon the Property occupied by such Property Owner and may be foreclosed by the Association in the same manner as any other lien. The Property Owner shall be entitled to a hearing before the Board of Directors upon reasonable written notice, such notice to include a statement from the Property Owner stating the reasons why such fines or withdrawal of privileges should not be imposed.

Exhibit A: LONG COVE CLUB MISSION STATEMENT

The mission of **Long Cove Club** is to serve its members by providing and properly maintaining outstanding member-preferred amenities, activities and services which are considered among the best in private residential communities, and are designed to encourage leisure enjoyment by a diverse and active membership in an atmosphere of harmony and congeniality. More specifically, the Club serves its members through:

- Maintaining a naturally beautiful, aesthetically pleasing community environment
- Improving the national respect for its golf course
- Unwavering commitment to excellence, attention to detail and continuous improvement
- Creating demand for members' property, thereby enhancing its value
- Encouraging member participation and open communication
- Developing comprehensive and meaningful long range plans
- Implementing and adhering to sound financial, management and governance principles, all of which are grounded in integrity
- Employing capable, reliable and dedicated professional managers and staff who understand, embrace and achieve the objectives of the Club

Exhibit B: LONG COVE CLUB GOVERNANCE PRINCIPLES

Governance Principles

- 1) Long Cove Club is operated in accordance with:
 - a) State and federal laws
 - b) Our Covenants and By-Laws
 - c) Our mission statement

- 2) Long Cove Club is a product of owner involvement.
 - a) The Property Owners are responsible for electing members of the Board of Directors committed to achieving the goals of our mission statement.

- b) The Property Owners delegate to the Board of Directors the management of the assets and services of Long Cove Club.
- c) Property Owners are responsible to make their own and fellow Property Owners' views and expectations known through service as members of committees, and through other means of communication.
- d) A free flow of information and ideas between Property Owners, the Board of Directors, Committees, and management is a key element to sound decision-making and effective management of the community.

3) The Board of Directors delegates to the President the responsibility to lead the Board, the General Manager, and the community in accomplishing policies and programs consistent with our mission statement.

4) The General Manager functions as the Chief Operating Officer and is responsible to the President, and accountable to the Board of Directors.

5) Department Heads report to the General Manager and are active members of their designated committees.

6) Responsibility for oversight of the assets of the Association and the owner services to be provided are assigned to one of the Standing Committees.

7) Long Cove Club services and financial performance will be benchmarked against other similar communities with the goal of continuous improvement and being among the best.

8) Quality standards are established to assure that:

- a) Our Property Owners' expectations for infrastructure and service performance are achieved.
- b) Performance standards are used to measure performance against those standards.
- c) The Association operates in an effective, cost efficient manner that meets our quality standards.

The Board of Directors

Principles:

The Board of Directors:

- is guided by the goals set forth in the Mission Statement and the General Principles in this document.
- is accountable to the Property Owners of Long Cove Club and is entrusted to manage the association for the benefit of the Property Owners.

- applies the club's resources in a responsive, honest, fiscally responsible and business-like manner for the purpose of providing Property Owners the quality activities, facilities and services which the Property Owners want and are willing to fund.
- clearly defines the limits of authority that are delegated to the Board officers, Committees, and General Manager.
- manages through the General Manager, the processes, policies, and guidelines necessary to fulfill its roles and responsibilities.
- establishes a partnership relationship with the General Manager in accomplishing the goals and objectives of the community.
- adheres to and interprets the Covenants and By-Laws of Long Cove Club.
- delegates to the President the role of Chief Executive Officer and defines his authority.

Powers: The powers of the Board of Directors are as written in the Covenants and By-Laws and as mandated by state and federal law and as approved by referendum.

Responsibilities and Authorities:

Organization:

- Establishes long-term and annual goals and initiates actions to accomplish them. Annual Board Retreat is the event at which these actions will be accomplished.
- Provides rules and regulations for the conduct of members and for the activities of the community.
- Provides for the accurate recording of meetings and their safe-keeping.
- Seeks comparative data and establishes benchmarks for the evaluation of financial performance, personnel, and member services, and makes this data available to the committees and management for their use to establish or review recommended standards.

Personnel:

- Employs the General Manager, approves the General Manager's recommendations for hiring department managers, and has oversight on all other personnel matters.
- Evaluates the performance of the General Manager against measurable performance standards of the job description on at least an annual basis.
- Reviews the performance evaluations of the department managers.
- Approves the annual compensation of the General Manager, and reviews the compensation of the department managers consistent with their performance evaluations and within compensation guidelines.

Fiscal:

- Recommends for owner approval the annual operating and capital budgets.
- Monitors the financial performance of the association on a regular basis.
- Reports the financial status to the members at least quarterly.
- Meets with the auditors and reviews and approves the audited financial statements on an annual basis.
- Establishes long-range infrastructure and financial planning.
- Establishes approval levels for all employment contracts, other contracts, and expenditures.

General:

- Approves the Chairmen, membership, and charters of the Standing Committees.
- Maintains the right to modify or negate any committee recommendation.
- Oversight of all capital project management and budgets.
- Maintains timely communication with the Property Owners, including deviations from expected goals or standards.
- Evaluates itself on an annual basis against measurable established goals and standards and communicates results to the Property Owners.
- Establishes and executes an orientation program for newly elected Board members.

Committees***Principles:***

- Committees, both Standing and Ad Hoc, are designated by the By-Laws or the Board of Directors. Ad Hoc Committees shall receive their direction, charter and responsibilities from the Board of Directors as required.
- All Standing Committees, except the Nominating Committee, shall be chaired or co-chaired by a member of the Board of Directors who is selected by the President.
- Members of committees, appointed by the Chairperson, shall be approved by the Board of Directors.
- The Chairperson represents the Board of Directors and conveys the Association's policies to the members of the committee and represents the plans, efforts, and recommendations of the committee to the Board.
- Each committee shall develop a charter, approved by the Board of Directors, which clearly states its purpose and scope of responsibility.

- All Standing Committees shall consist of a majority of Property Owners-at-large.
- All Standing Committee meetings shall be open to the Members.
- The President and the General Manager may attend, or may be requested to attend, any committee meeting.
- The appropriate Department Head is a non-voting member of each committee.
- Recommendations of committees shall be compliant to the established budget for the area of responsibility.
- All committees function under the guiding principles of the Association.

Responsibilities and Authorities:

- Develops an annual plan of activities consistent with its charter and submits it to the Board of Directors for approval.
- Works with the department managers and General Manager in carrying out the approved annual plan.
- Assesses owner requests and makes recommendations for improvements, remedies, and activities to the Board of Directors.
- Each committee identifies benchmarks to measure its performance against its charter and annual plan.
- Oversight of project management for capital projects in the assigned area of responsibility and advises/recommends modifications and cost impacts to the General Manager and Board of Directors.
- Reviews the proposed annual operating and capital budgets prior to the submission to the Finance/Audit Committee.
- Provides input to the General Manager on the annual performance evaluation of the appropriate Department Head.
- Records minutes of each meeting and submits or reports to the Board of Directors.
- The Chairman reports for his committee at each meeting of the Board of Directors, as appropriate.
- Communicates to the Property Owners through written annual and interim reports as appropriate on the goals, activities, and accomplishments of the committee.

Standing Committees: Scope of Responsibility:

Golf and Greens

Golf operations, events, Handicap Subcommittee, Golf course maintenance and improvements.

<i>Tennis</i>	Tennis courts, programs and management thereof.
<i>Community Services & Security</i>	Common area management and improvements, dock facilities, security.
<i>House and Social</i>	Clubhouse building, activities and services, social activities and pool maintenance
<i>Human Resources</i>	Hiring policies and employment practices, personnel management and training, job descriptions, compensation policy, including benefits, and performance evaluation process.
<i>Finance/Audit</i>	Financial planning, annual budget preparation, accounting policies, periodic reports to the Board of Directors and Property Owners, debt reduction, sinking fund, initiation fees, audit oversight, recommends independent auditors.
<i>Long-Range Planning</i>	Assess long range needs and trends and their impact on our assets and services, develops recommendations as appropriate.
<i>Nominating</i>	Solicit, interview and select qualified member candidates for election to the Board of Directors.
<i>Marketing</i>	Internal and External Marketing
<i>Waterfront</i>	Dock Policies and Procedures

The President

Principles:

The President:

- serves in a leadership role as Chief Executive Officer of the Association.
- leads the Board of Directors to accomplish the mission and the requirements of the Covenants and By-Laws.
- is responsible to the Board of Directors and performs those functions as

delegated to him/her by the Board of Directors.

- shall execute his responsibilities and authority according to the mission and guiding principles, and under the Covenants and By-Laws of the Association.

Responsibilities and Authorities:

- Assures that the policies and directives of the Association and the Board of Directors are carried out.
- Presides at all meetings of the Association and of the Board of Directors and sets the agendas for each.
- Selects the chairmen of Standing Committees and submits to Board of Directors for approval.
- Appoints Ad Hoc Committees as necessary and as may be directed by the Board of Directors.
- Signs all employment and other contracts as authorized and directed by the Board of Directors.
- Supervises the Chief Operating Officer/General Manager to assure all operations are consistent with the policies and decisions of the Board of Directors.
- Reports to the Board any activity or situation within or outside of the community that may affect the Association and its Property Owners.
- Conducts the written performance evaluation of the General Manager that has been approved by the Board of Directors.
- Represents the Association to outside agencies.
- Reflects the opinion of the Board of Directors in all correspondence on behalf of the Board to the Property Owners.

The Treasurer

Principles:

The Treasurer:

- is an officer of the Board of Directors.
- is accountable to the Board of Directors.
- is empowered to delegate certain financial management functions to the Chief Operating Officer/General Manager and the Chief Financial Officer.
- functions under the guiding principles of the Association..
- Responsibilities and Authorities:
- Fulfills the responsibilities as defined in the By-Laws.
- Delegates financial management responsibilities to the General Manager and the Chief Financial Officer.
- Oversees the financial operations and systems delegated to the General

Manager and the Chief Financial Officer.

- Prepares and presents to the Board of Directors and, subsequently, to the Property Owners the annual operating and capital budgets, and the long-term capital plan.
- Assesses and reports the status of the financial operations to the Board of Directors on a monthly basis and at least quarterly to the Property Owners.
- Assesses all major actions and policies relevant to the financial health of the Association.
- Presides as Chairman of the Finance/Audit Committee.
- Presents recommendation of the Finance/Audit Committee to the Board of Directors for approval, including the selection or retention of the independent auditors.

Nominating Committee

Principle:

Long Cove Club Owners Association, Inc. is a product of owner involvement. As such, it is important that the Board of Directors who, collectively, have the knowledge, expertise and experience necessary to efficiently and effectively oversee the services and activities that Property Owners expect and desire and to provide leadership and direction to the professional management of the Association.

Nominating Committee Process:

- Upon approval by the Board, the appointed Chairman will select six to nine other Property Owners as members of the Nominating Committee. No Member shall serve on the Nominating Committee more than once in a three year period. The Chairman will be expected to have a broad cross section of the Property Owners among the Committee members. He/she should consider asking for volunteers to serve as members of the Committee, as well as identify candidates who are thought to be individuals who can contribute to the nominating process.
- The Nominating Committee will identify and select at least three but no more than five interested and qualified candidates, all of whom agree to serve if elected, for the three open Board positions. The Committee should consider the type of experience and skills needed by the Board of Directors in making its selections.
- The Nominating Committee shall submit its list of candidates to the Secretary of the Association by August 15. The Secretary shall immediately notify the Members by Mail of the Nominating Committee's candidates. Members who wish to be a candidate for the Board, but are not on the list prepared by the Nominating Committee, may submit a petition of candidacy with ten owner signatures. These

petitions of candidacy must be filed no later than September 20 and must be accompanied by a resume and position paper. Appropriate forms may be obtained at the Administration office or upon request mailed to the Member. No Member shall be eligible for election to the Board of Directors should he or she be more than sixty (60) days delinquent in the payment of an assessment or club charges. The complete list of candidates will be sent to the Property Owners along with the respective resumes, position papers, ballot and notice of Annual Meeting. Ballots will be counted and the winners announced at the Annual Meeting.

- Upon completion of the Nominating Committee's work, which occurs upon election of new directors, the Chairman of the Committee will recommend to the Board the following year's Chairman of the Nominating Committee, who shall be selected from any member in good standing. Such recommendation to be made not later than the December Board meeting. The person recommended must be approved by the Board. If such approval is not given or the leaving Board Member chooses not to serve, the Board will ask the current Chairman to recommend another individual for the position.

The Chief Operating Officer/General Manager

Principles:

- The Board of Directors delegates to the President the day-to-day supervision of the Chief Operating Officer/General Manager (hereinafter Chief Operating Officer) for the purposes of assuring that the policies and directives of the Board of Directors are accomplished.

The Chief Operating Officer:

- receives his authorities and responsibilities from the Board of Directors.
- functions as the Chief Operating Officer and is responsible to the President and accountable to the Board of Directors.
- is responsible for rendering quality services in a cost-efficient manner consistent with the goals and objectives of the community.
- functions under the guiding principles of the Association.
- is qualified for the position as described in his job description.

Responsibilities and Authorities:

Operations:

- Establishes and implements the annual operating plans with the Department Managers.

- Decision-making relative to day-to-day operations.
- Decision-making about inventories, staffing, pricing, and vendor selection.
- Repair and maintenance of facilities and equipment.
- Disbursements within the limits of the budget.
- Project management of all capital projects.
- Represents the club in matters involving local or state government and outside business interests.
- Reports monthly to the Board of Directors the status of the Association.

Personnel management:

- Reviews with the Board of Directors the employment of Department Managers.
- Reviews compensation of Department Managers, consistent with performance evaluations, with the Human Resources Committee, and subsequently with the Board of Directors.
- Employment of all other staff.
- Develops or approves job descriptions for all levels of staff with standards of performance to be measured.
- Performs personnel evaluations, with input from the Committees through the Chairman regarding Department Managers.
- Provides for the orientation and continuing education of the staff and selects and/or approves staff development programs.
- Direction to the staff concerning the effective day-to-day operations of the respective departments.
- Authorization and implementation of pay raises and bonuses for positions below department manager.
- Disbursement of retiree, separation, or death benefits after approval of the Board of Directors.

Fiscal management:

- Oversight of all financial management and accounting functions.
- Oversight and control of departmental budgets.
- Participation with the department managers in the preparation of the annual operating and capital budgets, interfacing with applicable committees.

Membership relations:

- Decision-making relative to Property Owners' requests or issues, within the Covenants and By-Laws, reporting any unresolved problem or circumstance to the Board of Directors.
- Interaction with and responsiveness to the Property Owners on a

continual basis.

- Responsible for publishing the monthly newsletter and for the maintenance of the Web site.
- Spokesman for Long Cove Club as delegated by the President

The Chief Financial Officer:

Principles:

The Chief Financial Officer:

reports directly to the Chief Operating Officer, and is accountable to the Board of Directors relative to financial management of the Association.

reports to Treasurer or other Board Officer any possible impropriety of important financial consequence.

functions under the guiding principles of the Association.

Responsibilities and Authorities:

- Establishes and upgrades, as required, accounting systems necessary to maintain appropriate financial management control over the Association's operations.
- Cash management, including establishment of bank and investment accounts, line of credit and related policy.
- Development of meaningful financial reports which identify each department's responsibility and performance.
- Establish benchmarks for financial performance.
- Assessment of the budgetary system to project expected results from operations and capital spending.
- Analysis of operations and capital expenditures with recommendations for change.
- Compliance with regulatory rules as delegated to the position.
- Is a member of the Finance/Audit Committee and provides information and recommendations.
- Interfaces with independent auditors and helps facilitate their efforts.

