
**BYLAWS
OF
ARBOR HILLS HOMEOWNERS' ASSOCIATION, INC.**

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ARBOR HILLS HOMEOWNERS' ASSOCIATION, INC.**

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**BYLAWS
OF
ARBOR HILLS HOMEOWNERS' ASSOCIATION, INC.**

ARTICLE I.

THE ASSOCIATION

Section 1.01 Name. The name of this Association shall be "Arbor Hills Homeowners' Association, Inc.", an Alabama nonprofit corporation (the "Association"), which has been formed pursuant to Articles of Incorporation of Arbor Hills Homeowners' Association, Inc. dated as of September 2, 2003 and recorded in the Office of the Judge of Probate of Shelby County, Alabama.

Section 1.02 Declaration. The provisions of these Bylaws are expressly subject to the terms and provisions of the Arbor Hills Declaration of Covenants, Conditions and Restrictions dated as of _____, 2003 and recorded in the Probate Office (which, together with all subsequent amendments thereto, is hereinafter referred to as the "Declaration"). *Capitalized terms not otherwise expressly defined herein shall have the same meanings given to them in the Declaration.*

Section 1.03 Principal Office. The principal office of the Association in the State of Alabama shall be located at 2236 Cahaba Valley Drive, Suite 100, Birmingham, AL 35242. The Association may have such other offices, either within or without the State of Alabama, as the Board of Directors may designate from time to time.

Section 1.04 Registered Office. The registered office of the Association required by the Alabama Nonprofit Corporation Act to be maintained in the State of Alabama shall be the same as the principal office of the Association.

ARTICLE II.

MEMBERS

Section 2.01 Membership. Each person who is the Owner of any Lot or Dwelling within the Property shall be a member of the Association. Developer shall be deemed a member of the Association and shall have one (1) vote for each Lot or Dwelling owned by Developer. If a Lot or Dwelling is owned by more than one person and if only one of those persons is present at a meeting of the Association, that person shall be entitled to cast the vote appertaining to such Lot or Dwelling; provided, however, that if more than one of those persons is present, the vote appertaining thereto shall be cast only in accordance with their unanimous agreement, and, if no unanimous agreement is reached, the vote appurtenant to such Lot or Dwelling shall be suspended. Except as otherwise provided herein to the contrary with respect to Developer's voting rights in the Association, no Owner, whether one or more persons, shall be entitled to more than one vote per Lot or Dwelling owned. Membership in the Association shall be appurtenant to, and may not be separated from, ownership of a Lot or Dwelling. As used in these Bylaws, "Member" shall mean an Owner, as defined in the Declaration. Notwithstanding anything provided herein or in the Articles of Incorporation to the contrary, until the occurrence of the Turnover Date, Developer shall have the sole and exclusive right to (a) appoint and remove all of the members of the Board of Directors of the Association and (b) exercise all voting in the Association (except as specifically provided to the contrary in Section 8.04 and 10.02 of the Declaration). The voting rights of any Member who has violated the

Declaration or who is in default in the payment of any Assessments may be limited and suspended in accordance with the provisions of the Declaration or any rules and regulations adopted from time to time by the Association.

Section 2.02 Annual Meeting. The annual meeting of the Members of the Association shall be held at 10:00 a.m. on the last business day of January of each year or at such other time or such other day within such month as shall be fixed by the Board of Directors; provided, however, that the first meeting of the Members of the Association shall not be held until immediately following the Turnover Date; and, provided further, however, that unless otherwise approved by the Board of Directors, all subsequent annual meetings of the Members shall be held on the anniversary date of the Turnover Date. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. Subject to the provisions of Section 2.09 below, at the annual meeting, the Members of the Association shall, subject to the terms of Sections 2.01 and 3.03 of these Bylaws, elect the Board of Directors of the Association and otherwise transact such other business as may come before such meeting. Subject to the provisions of Section 2.09 below, if the election of Directors shall not be held on the day designated herein for any annual meeting of the Members of the Association, or any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Members of the Association as soon thereafter as may be convenient.

Section 2.03 Special Meetings. Subject to the provisions of Section 2.09 below, special meetings of Members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or the Board of Directors of the Association and, after the Turnover Date, shall be called by the President or Secretary of the Association upon the petition of at least thirty percent (30%) or more of the total votes in the Association.

Section 2.04 Place of Meeting. Subject to the provisions of Section 2.09 below, the Board of Directors may designate any place, either within or without the State of Alabama, as the place of meeting for any annual or special meeting. In the absence of any designation, all meetings shall be held at the principal office of the Association in the State of Alabama.

Section 2.05 Notice of Meeting. Subject to the provisions of Section 2.09 below, written or printed notice (or wireless transmission via facsimile or electronic mail) stating the place, day and hour of the meeting and, in case of a special meeting, or of a meeting which is required by statute to be held for any special purpose, or of any annual meeting at which special action is to be taken, the purpose or purposes for which the meeting is called, or the special action which is proposed to be taken, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the Board of Directors, the President, the Secretary, or the officer of persons calling the meeting, to each Member of the Association. All notices shall be deemed given or served upon any Member when given as provided in Section 12.15 of the Declaration.

Section 2.06 Quorum. Subject to the provisions of Sections 2.09 and 2.10 below, with respect to the annual or any special meeting of the Members of the Association, a quorum shall be deemed to exist if Members of the Association entitled to cast at least thirty percent (30%) of all votes of the Association are present, in person or by proxy, at such meeting. If the required quorum is not present, another meeting may be called subject to the same notice requirements but the required quorum at the subsequent meeting shall be the presence, in person or by proxy, of Members entitled to cast at least twenty percent (20%) of the total votes of the Association. At such time that a quorum is obtained, the vote of a majority in interest of the Members who are voting, in person or by proxy, at such meeting shall be required to approve any matter submitted to the Members of the Association for approval. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of Members thereby leaving less than a quorum.

Section 2.07 Proxies. At all meetings of the Members of the Association and in all ballot votes of the Members of the Association held pursuant to Section 2.09 below, a Member may vote either in person or by proxy executed in writing by the Member or by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary of the Association before or at the time of the meeting or at the time of any ballot vote held pursuant to Section 2.09 below. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 2.08 Voting by Members. Subject to the provisions of Section 2.01 above, this Section 2.08 and Sections 2.10 and 3.03 below, each Member of the Association shall be entitled to one (1) vote for each Lot or Dwelling owned by such Member. Developer shall be entitled to one (1) vote for each Lot or Dwelling owned by Developer. No fractional voting shall be permitted. When more than one person is the owner of a Lot or Dwelling, the provisions of Section 2.01 of these Bylaws shall be applicable to the exercise of such voting rights. For purposes of these Bylaws and the Articles of Incorporation, the vote of a "majority" of the Members of the Association shall mean the vote, whether in person or by proxy, of at least fifty-one percent (51%) of the total number of votes either (a) represented at a duly constituted annual or special meeting of the Members (i.e., at which a quorum is present) or (b) voted at a ballot vote held in accordance with the terms and provisions of Section 2.09 hereof; provided, however, that any Member whose voting rights in the Association or under the Declaration are then currently suspended shall not be entitled to vote on any matters submitted to the Members for approval and shall not be included in any determination as to whether a quorum exists or the minimum number of votes are cast in a ballot vote. Unless a greater proportion is specified in these Bylaws or the Articles of Incorporation and, subject to the terms and provisions of this Section 2.08 and Sections 2.10 and 3.03 of these Bylaws, any matter which requires the vote of, approval, disapproval or consent of the Members of the Association shall be deemed to have been given if a "majority" of the Members of the Association represented at a duly constituted meeting or at a ballot vote held in accordance with the terms and provisions of Section 2.09 below, either in person or by proxy, affirmatively vote for, approve, disapprove or consent to the same. Notwithstanding anything provided herein to the contrary, until the occurrence of the Turnover Date, Developer shall have the sole and exclusive right to exercise all voting rights in the Association; provided, however, that with respect to (i) any Special Assessments to be made pursuant to Section 8.04 of the Declaration which require the consent and approval of a specified number of the Members, then Developer shall submit such Special Assessment to the Members for approval in accordance with the voting requirements of this Section 2.08 and (ii) amendments to the Declaration which, pursuant to Section 10.02 of the Declaration, require the consent or approval of a specified percentage in interest of the Members, then Developer shall submit such amendment to the Owners for approval in accordance with the voting requirements set forth above in this Section 2.08.

Section 2.09 Ballot Voting in Lieu of Meetings.

(a) Notwithstanding anything provided to the contrary in the Declaration, the Articles of Incorporation or these Bylaws, any matter which is required or permitted to be approved by the Members of the Association, including, without limitation, amendments to the Declaration, the Articles of Incorporation and the Bylaws which require any consent or approval of the Members, the election and removal of members of the Board of Directors and the approval of Special Assessments, may, subject to the rights retained and reserved by Developer until the Turnover Date pursuant to the terms of Sections 2.08 and 3.03 hereof, be submitted to the Members of the Association by a ballot vote, without any requirement that either an annual or special meeting of the Members of the Association be held, subject to the satisfaction of the following terms and conditions:

(i) Any matters to be submitted to the Members for approval pursuant to a ballot vote shall (1) be set forth on a ballot, the form of which must be approved by the Board of Directors, (2) subject to the provisions of Section 2.10 below, be mailed to all Members of the

Association (utilizing the notice provisions set forth in Section 5.10 hereof) not less than ten (10) days nor more than fifty (50) days before the date such ballots shall be counted by the Board of Directors and (3) specify that all such ballots must be returned to and received by the Association no later than 12:00 p.m. on the date specified on such ballot as the date on which the ballots will be counted by the Board of Directors; and

(ii) Any matter submitted to the Members for approval by ballot vote shall be deemed approved only if (1) at least thirty percent (30%) of all Members entitled to vote on such matter cast ballots with respect to such proposal (regardless of whether such ballots are cast for or against such matter) and (2) a majority of all votes cast in such ballot vote approve such matter.

(b) The ballot voting procedures set forth above may be utilized in lieu of the holding of any annual or special meeting of the Members of the Association.

Section 2.10 Suspension of Voting Rights. Any Member who has not timely paid any Assessments due to the Association pursuant to any of the provisions of the Declaration shall not be entitled to vote on any matters submitted to the Members for a vote and shall not be included in determining whether a quorum exists or whether the requisite number of Members have voted in a ballot vote.

ARTICLE III.

BOARD OF DIRECTORS

Section 3.01 General Powers. The business and affairs of the Association shall be managed by or under the direction of its Board of Directors (individually a "Director" and collectively, the "Directors"). All actions required or permitted to be taken by the Association under the Declaration shall be taken by the sole action of the Board of Directors without any requirement that any Owners or Mortgagees consent to or approve of such action.

Section 3.02 Number, Tenure and Qualifications.

(a) Prior to the Turnover Date, the number of Directors of the Association shall be three (3). From and after the Turnover Date, the number of Directors of the Association shall be five (5). Prior to the Turnover Date, members of the Board need not be Owners or members of the Association. From and after the Turnover Date, the members of the Board shall be Owners and members of the Association.

(b) Prior to the Turnover Date, each Director appointed by Developer shall serve an initial term of one (1) year; provided, however, that Developer may, in its sole discretion, remove any Director appointed by Developer at any time, with or without cause, upon written notice to such Director. Each Director shall hold office until his successor shall have been elected and qualified. Prior to the Turnover Date, Directors need not be residents of the State of Alabama or Members of the Association. From and after the occurrence of the Turnover Date, Directors must be Members (or the spouses of Members).

(c) At the first meeting (or ballot vote) of the Members of the Association following the Turnover Date, the Members shall elect five (5) members of the Board of Directors to serve the following terms: two (2) candidates shall serve three (3) year terms on the Board of Directors, two (2) candidates shall serve two (2) year terms on the Board of Directors and one (1) candidate shall serve a one (1) year term on the Board of Directors. Such candidates shall be nominated pursuant to the

provisions of Sections 3.03(b) and 3.03(c) below and shall be elected for the following terms: (i) the two (2) candidates receiving the first and second highest number of votes shall each be elected to three (3) year terms, (ii) the next two (2) candidates receiving the third and fourth highest number of votes shall each be elected to two (2) year terms and (iii) the next candidate receiving the fifth highest number of votes shall be elected to a one (1) year term. All such elected members of the Board of Directors shall serve until such time as their respective successors have been duly elected. At each subsequent annual meeting of the Members (or any ballot of vote held in lieu of any annual meeting) following the first meeting (or ballot vote) of the Members, the Members shall elect Directors for terms of three (3) years each to fill the position of any expired terms of any Director. Following the Turnover Date, no person may be elected to serve as a Director for more than three (3) consecutive terms (regardless of the length of such consecutive terms).

Section 3.03 Election, Removal and Replacement of Directors.

(a) Until the occurrence of the Turnover Date, Developer shall have the sole and exclusive right to appoint and remove, with or without cause, all of the members of the Board of Directors of the Association. Each member of the Board of Directors appointed by Developer shall serve an initial term of one (1) year; provided, however, that Developer may, in its sole discretion, remove any member of the Board of Directors at any time, with or without cause, upon written notice to such member of the Board of Directors. In the event of the death or resignation of a member of the Board of Directors at any time prior to the Turnover Date, then Developer shall appoint a substitute member of the Board of Directors to fill the vacancy of such deceased or resigned member of the Board of Directors for the remainder of the term of such former member of the Board.

(b) Immediately prior to the Turnover Date, the then existing members of the Board of Directors shall appoint a nominating committee consisting only of Members of the Association. At least ten (10) days prior to the first annual meeting of the Members (or any ballot vote held in lieu of any annual meeting), the nominating committee shall provide written notice to all Members identifying those Members who have been nominated by such nominating committee as candidates for the five (5) positions on the Board of Directors which will be vacated on the Turnover Date. Each subsequent year after the Turnover Date, the Board of Directors shall appoint a nominating committee consisting of Members of the Association which shall, at least ten (10) days prior to the annual meeting of the Members (or any ballot vote held in lieu of any annual meeting), provide written notice to all Members identifying those Members who have been nominated by such nominating committee as candidates to fill the upcoming vacancies on the Board of Directors at the next annual meeting of the Members (or any ballot vote held in lieu of any annual meeting).

(c) At each annual meeting of the Members (or any ballot vote held in lieu of any annual meeting) on or after the Turnover Date, the Members will have the right to nominate from the floor (or write-in on any ballot) the name(s) of any Member(s) not nominated by the nominating committee as a candidate for any position on the Board of Directors which will be vacated and filled by the vote of the Members at such annual meeting (or any ballot vote held in lieu of any such annual meeting).

(d) From and after the Turnover Date, the Members of the Association shall elect at each annual meeting of the Members (or in any ballot vote held in lieu of any annual meeting) from and among the Members nominated pursuant to Sections 3.03(b) or 3.03(c) above the members of the Board of Directors to fill the expired terms of any Director(s).

(e) Following the occurrence of the Turnover Date, any member of the Board of Directors of the Association elected by the Members may be removed, with or without cause, at any time

or from time to time by the majority vote of the Members at an annual or a special meeting (or any ballot vote held in lieu of any annual meeting) of the Members held pursuant to the provisions of Article 2 hereof. In the event of the death or resignation of a member of the Board of Directors or the removal of any Director pursuant to Section 3.03(f) below at any time after the Turnover Date, then the remaining members of the Board of Directors shall appoint a substitute Director to fill the vacancy of such deceased or resigned member of the Board of Directors who shall serve for the remainder of the term of such former member of the Board of Directors. There shall be no cumulative voting by the Members.

(f) Any Director who fails to attend three (3) or more consecutive meetings of the Board of Directors may be removed from the Board of Directors by the vote of a majority of the Directors, as defined in Section 3.08 below.

Section 3.04 Regular Meetings. A regular meeting of the Board of Directors shall be held, without further notice than this Bylaw, immediately after, and at the same place as, the annual meeting of the Members of the Association; provided, however, that any such regular meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings, or in a consent and waiver of notice thereof, signed by all Directors. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Alabama, for the holding of additional regular meetings without other notice than such resolution.

Section 3.05 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President, any Vice President or any two (2) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Alabama, as the place for holding any special meeting of the Board of Directors called by them.

Section 3.06 Notice. Notice of any special meeting of the Board of Directors shall be given either (a) by written notice at least 48 hours in advance of such meeting, delivered in person or by leaving such notice at the place of business or residence of each Director, or by depositing such notice in the United States mail, postage prepaid, addressed to the Director at his address as it appears on the records of the Association; (b) verbally in person or by telephone at least 24 hours in advance of such meeting by communication with the Director in person or by telephone; (c) by telegram delivered to the telegraph company at least 24 hours in advance of such meeting or (d) by facsimile transmission or electronic mail given at least 24 hours in advance of such meeting. Any Director may waive notice of any meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 3.07 Quorum. A majority of the number of Directors fixed by Section 3.02(a) of these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice. If a quorum is present when the meeting is convened, the Directors present may continue to do business, taking action by a vote of a majority of quorum as fixed above, until adjournment, notwithstanding the withdrawal of enough Directors to leave less than a quorum as fixed above, or the refusal of any Director present to vote.

Section 3.08 Manner of Acting. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by statute, the Articles of Incorporation or these Bylaws. As used herein, the term "majority of the Directors" or "a majority of the number of Directors" or similar terms relating to any action to be taken by the Directors shall mean at least fifty-one percent (51%) of all of those Directors present at a

duly convened meeting of the Board of Directors have approved or consented to such proposed action or matter.

Section 3.09 Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting of the Board of Directors if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors.

Section 3.10 Vacancies. Any vacancy occurring in the Board of Directors shall be filled as provided in Section 3.03 above. A Director elected or appointed to fill a vacancy shall be elected to serve for the unexpired term of his predecessor in office.

Section 3.11 Compensation. By resolution of the Board of Directors, each Director may be paid his or her expenses, if any, of attendance at each meeting of the Board of Directors. No such payment shall preclude any Director from serving the Association in any other capacity and receiving compensation therefor.

Section 3.12 Committees. Subject to the terms and provisions of Section 3.15 below, the Board of Directors, by resolution adopted by a majority of the Directors, may designate from among the Members one or more committees, each committee to consist of one or more of the Directors and each of which committees, to the extent provided in such resolution, shall have and may during intervals between the meetings of the Board of Directors, exercise all the authority of the Board of Directors, except that no such committee shall have the authority of the Board of Directors in reference to amending the Articles of Incorporation or Bylaws, issuing capital stock, debentures or incurring any indebtedness on behalf of the Association, adopting a plan of merger or consolidation or filling vacancies on the Board of Directors. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. The designation of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors or any Director of any responsibility imposed upon it or such Director by law.

Section 3.13 Resignations. Any Director of the Association may resign at any time either by oral tender of resignation at any meeting of the Board of Directors or by giving written notice thereof to the Secretary of the Association. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.14 Participation in Meetings by Conference Telephone. Members of the Board of Directors or any committee designated thereby may participate in a meeting of such Board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at such meeting.

Section 3.15 ARC Members. As provided in the Declaration, the Board of Directors of the Association have the right to appoint and remove, with or without cause, all persons designated to serve as members of the ARC. The persons designated by the Board of Directors to serve on the ARC shall, notwithstanding anything provided in these Bylaws to the contrary, (a) be deemed agents and representatives of the Association, (b) need not be Members of the Association and (c) have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association with respect to the ARC. The Association shall and does hereby indemnify, defend and agree to forever hold each person designated by the Board of Directors to serve on the ARC harmless from and against any and all liability on account of any (i) contract or commitment entered into by such persons, in

good faith, on behalf of the ARC and (ii) other actions undertaken by such persons in furtherance of their respective duties and responsibilities under the Declaration:

ARTICLE IV.

OFFICERS

Section 4.01 Principal Officers. The principal officers of the Association shall be elected by the Board of Directors and shall include a President, one or more Vice Presidents, a Secretary and a Treasurer and may, at the discretion of the Board of Directors, also include a Chairman of the Board and such other officers as may be designated from time to time. Any number of offices may be held by the same person, except the offices of President and Secretary. None of the principal officers need be Directors of the Association.

Section 4.02 Election of Principal Officers; Term of Office. The principal officers of the Association shall be elected annually by the Board of Directors. Each principal officer shall hold office until his successor shall have been duly elected and qualified or until such officer's death or until such officer shall resign or shall have been removed in the manner hereinafter provided. If the Board of Directors shall fail to fill any principal office at an annual meeting of the Board of Directors, or if any vacancy in any principal office shall occur, or if any principal office shall be newly created, such principal office may be filled at any regular or special meeting of the Board of Directors.

Section 4.03 Subordinate Officers, Agents and Employees. In addition to the principal officers, the Association may have such other subordinate officers, agents and employees as the Board of Directors may deem advisable each of whom shall hold office for such period and have such authority and perform such duties as the Board of Directors, the Chairman of the Board, the President, or any officer designated by the Board of Directors, may from time to time determine. The Board of Directors at any time may appoint and remove, or may delegate to any principal officer the power to appoint and to remove, any subordinate officer, agent or employee of the Association.

Section 4.04 Delegation of Duties of Officers. The Board of Directors may delegate the duties and powers of any officer of the Association to any other officer or to any Director for a specified period of time for any reason that the Board of Directors may deem sufficient.

Section 4.05 Removal of Officers or Agents. Any officer or agent of the Association may be removed by the Board of Directors at any time, either with or without cause, and the Board of Directors may appoint a successor to such removed officer and agent. Election or appointment of any officer or agent shall not of itself create contract rights.

Section 4.06 Resignations. Any officer may resign at any time by giving written notice of resignation to the Board of Directors, to the Chairman of the Board, to the President or to the Secretary. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified in the notice, the acceptance of a resignation shall not be necessary to make the resignation effective.

Section 4.07 Vacancies. A vacancy in any office, the holder of which is elected or appointed by the Board of Directors, because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term of such office. A vacancy in any other office for any reason shall be filled by the Board of Directors, or any committee, or officer to whom