
BYLAWS
OF
WATERFORD TOWN HOME OWNERS ASSOCIATION, INC.

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**BYLAWS
OF
WATERFORD TOWN HOME OWNERS ASSOCIATION, INC.**

1. Identification of Association

These are the Bylaws of Waterford Town Home Owners Association, Inc. ("Association") as duly adopted by its Board of Directors ("Board"). The Association is a nonprofit corporation organized pursuant to the South Carolina Nonprofit Corporation Act of 1994.

1.1 The office of the Association shall be for the present at 2430 Mall Drive, Suite 450, North Charleston, Charleston County, South Carolina, 29406, and thereafter may be located at any place designated by the Board.

1.2 The fiscal year of the Association shall be the calendar year.

1.3 The seal of the Association shall bear the name of the Association, the word "South Carolina" and the words "Nonprofit Corporation."

2. Explanation of Terminology

The terms defined in the Articles of Incorporation of the Association ("Articles") as well as in the Declaration of Covenants, Restrictions and Easements for Waterford Town Homes at Liberty Hall Plantation ("Declaration") are incorporated herein by reference and shall appear in initial capital letters each time such terms appear in these Bylaws.

2. Membership; Voting Power

Each Member shall be entitled to the benefit of, and be subject to, the provisions of the Association Documents. The qualification of Members of the Association, the manner of their admission to membership, the manner of the termination of such membership and the manner of voting by Members shall be established and terminated as set forth below:

2.1 Every Residential Owner, including Declarant, of a Lot or a Living Unit will be a Member of the Association. Ownership of a Lot or a Living Unit will be the sole qualification for such membership. If fee title to a Lot or Living Unit is transferred or otherwise conveyed, the membership in the Association which is appurtenant thereto will automatically pass to such transferee, notwithstanding any failure of the transferor to endorse to his transferee any certificates or other evidences of such membership. The foregoing is not intended to include any Persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest will not terminate or otherwise affect a Residential Owner's membership in the Association.

2.2 The Association shall have two (2) classes of voting membership:

1.0.0 "Class A Members" shall be the Residential Owners of Living Units (including Declarant, if applicable). Class A Members shall be entitled to one (1) vote for each Living Unit owned.

2.0.0 "Class B Members" shall be Declarant or its designated assign. The Class B Member will be entitled to two (2) votes for each vote held by Class A Members, plus one (1) vote until the Turnover Date. Thereafter, Declarant will exercise votes only as to its Class A Memberships.

2.3 The designation of different classes of membership is for the purpose of establishing the number of votes applicable to certain Living Units, and, nothing herein shall be deemed to require voting solely by an individual class on any matter which requires the vote of Members, unless otherwise specifically set forth in Association Documents.

2.4 No Member may assign, hypothecate or transfer in any manner his membership in the Association except as an appurtenance to his Living Unit.

2.5 Any Member who conveys or loses title to a Living Unit by sale, gift, devise, bequest, judicial decree or otherwise shall, immediately upon such conveyance or loss of title, no longer be a Member with respect to such Living Unit and shall lose all rights and privileges of a Member resulting from ownership of such Living Unit, but shall remain personally liable to the Association for any unpaid Assessments levied upon the subject Living Unit which accrue during the period of such Person's ownership of the Living Unit.

2.6 When any Living Unit of a Class A Member is owned in the name of two or more persons, other than husband and wife (either of whose vote will bind both), by an entity, or in any other manner of joint or common ownership, the vote for such Living Unit will be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting; or the vote will be exercised by such co-Owner, or his duly appointed proxy, as will be designated in a writing by all co-Owners filed in the Public Records, a copy of which will be delivered to the Secretary of the Association and will remain effective for all meetings until revoked by the co-Owners in a similar writing or until such designation terminates pursuant to the terms of such writing.

4. Members' Meetings; Voting Procedures; and Proxies

2.7 Annual Members' Meetings. The Members shall meet annually ("Annual Members' Meeting"). The Annual Members' Meeting shall be held at the office of the Association or at such other place in the County as the Board may determine and on such day and at such time as designated by the Board in the notice of such meeting commencing with the year following the year in which the Articles are filed with the South Carolina Secretary of State. The purpose of the Annual Members Meeting shall be to hear reports of the officers, elect members

of the Board (when that shall be appropriate as determined by the provisions of Section 5 of these Bylaws) and transact any other business authorized to be transacted at such Annual Members' Meeting.

2.8 **Special Meetings.** Special meetings (meetings other than the Annual Members' Meeting) of the Members shall be held at any place within the County whenever called by the President or Vice President or by a majority of the Board. A special meeting must be called by such President or Vice President upon receipt of a written request from Members having the right to vote at least twenty percent (20%) of the total number of votes entitled to be cast by Members at any such special meeting.

2.9 **Notice of Meetings.** Except as may otherwise be provided in the Association Documents, a written notice of all Members' meetings, whether the Annual Members' Meeting or special meetings (collectively "Meeting"), shall be given to each Member entitled to vote thereat at his last known address as it appears on the books of the Association and shall be mailed first class to the said address not less than ten (10) days nor more than forty-five (45) days prior to the date of the Meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Any notice given hereunder shall state the time and place of the Meeting and the purposes for which the Meeting is called. The notice of all Annual Members' Meetings shall, in addition, specify the number of Directors of the Association to be elected by the Members, if applicable. Notice of any Meeting may be waived before, during or after such Meeting by a Member or by the person entitled to vote for such Member by signing a document setting forth the waiver of such notice.

2.10 **Written Action in Lieu of Meeting.** The Members may, at the discretion of the Board, act by written response in lieu of a Meeting provided written notice of the matter or matters to be agreed upon is given to the Members or duly waived in accordance with the provisions of these Bylaws. Unless some greater number is required under the Association Documents and except as to the election of Directors, which shall be accomplished by plurality vote, the decision of a majority of the votes cast by Members as to the matter or matters to be agreed or voted upon shall be binding on the Members provided a quorum is either present at such Meeting or submits a response if action is taken by written response in lieu of a Meeting, as the case may be. The notice with respect to actions to be taken by written response in lieu of a Meeting shall set forth the time period during which the written responses must be received by the Association.

2.11 **Quorum.** Unless a different percentage is specifically required by any provision in the Association Documents or applicable law, a quorum of the Members shall consist of Members entitled to cast twenty percent (20%) of the total number of votes of the Members.

When a quorum is present at any Meeting and a question which raises the jurisdiction of such Meeting is presented, the holders of a majority of the voting rights present in person or represented by written "Proxy" (as hereinafter defined) shall be required to decide the

question. However, if the question is one upon which a vote other than the majority vote of a quorum is required by express provision of the Association Documents or by law, then such express provision shall govern and control the required vote on the decision of such question.

2.12 Adjournment for Lack of Quorum; Reduced Quorum Requirements. In the absence of a quorum at a Meeting, the Members entitled to vote at such Meeting shall have the power to adjourn the meeting to another time subject to the same notice requirement, unless the Meeting is held within thirty (30) days after the adjourned Meeting, in which event no additional notice shall be required if the time and place of the following Meeting is announced at the adjourned meeting. If a Meeting is adjourned due to lack of a quorum, and a subsequent Meeting is scheduled in lieu thereof, all notice requirements being applicable to such subsequent Meeting, and such notice indicates that the subsequent Meeting is being held due to lack of a quorum at the adjourned Meeting then the quorum requirement for the subsequent Meeting shall be one-half ($\frac{1}{2}$) of the quorum requirement for the adjourned Meeting, provided such subsequent Meeting is held within forty-five (45) days of the adjourned Meeting. The reducing quorum requirement may take place multiple times for multiple subsequent Meetings (reducing by fifty percent (50%) each time subject to the minimum quorum requirement referred to below), provided all notice requirements and time periods are complied with, until a Meeting is held at which a quorum is present. In no event shall the quorum requirement be reduced beyond ten percent (10%) of the total number of votes of the Members.

2.13 Ballots; Election Committee. At any Annual Members' Meeting when elections of Directors are to occur, written ballots are to be supplied to Members for such purposes. Furthermore, at any Annual Members' Meeting at which Directors are to be elected, the "Chairman" (as hereinafter defined in Section 9.2 hereof) shall appoint an "Election Committee" consisting of three (3) Members to supervise the election, count and verify ballots and Proxies, disqualify votes if such disqualification is justified under the circumstances and to certify the results of the election to the Board. The Election Committee shall be able to determine questions within its jurisdiction by plurality vote of all three (3) members, but matters resulting in deadlocked votes of the Election Committee shall be referred to the entire Board for resolution.

2.14 Minutes. Minutes of all Meetings shall be kept in a businesslike manner and be available for inspection by the Members and Directors at all reasonable times.

2.15 Proxies. Voting rights of Members shall be as stated in Section 5 of these Bylaws with respect to the election of all Boards other than the First Board. Such votes may be cast in person or by Proxy. "Proxy" is defined to mean an instrument containing the appointment of a person who is substituted in the place and stead of the person or authorized representative of an entity entitled to vote. Proxies shall be in writing signed by the person or authorized representative of an entity giving the same and shall be valid only for the particular Meeting designated therein and, if so stated in the Proxy, any adjournments thereof. A Proxy must be filed with the Secretary of the Association before the appointed time of the Meeting in order to be valid. Any Proxy may be revoked prior to the time a vote is cast according to such Proxy.

2.16 Voting by Secret Ballot. The voting on any matter at a Meeting shall be by secret ballot upon request of the holders of twenty percent (20%) of the votes represented at such Meeting and entitled to be cast on such matter, if such request is made prior to the vote in question.

5. Board; Designation and Election of Directors; Directors' Meetings

2.17 The business and administration of the Association shall be by its Board.

2.18 Number of Directors. The number of Directors on the first Board of Directors of the Association ("First Board") and the "Interim Board" (as hereinafter defined) shall be three (3) as provided in the Articles. The number of Directors elected by the Members subsequent to the "Interim Election Meeting" (as hereinafter defined) shall be not less than three (3) nor more than five (5), as the Board shall from time to time determine prior to each meeting at which Directors are to be elected, but in any event these shall always be an odd number of Directors. Except for Declarant-appointed Directors, Directors must be Members or the parents, children or spouse of Members. There shall be one (1) vote for each Director.

2.19 First Board. The names and addresses of the persons who are to serve as Directors on the First Board are as set forth in the Articles. Declarant reserves the right to replace and/or designate and elect successor Directors to serve on the First Board for so long as the First Board is to serve, as hereinafter provided.

2.20 Election of Directors by Members Other Than Declarant. Upon the Turnover Date (defined in the Declaration), the Members other than Declarant ("Purchaser Members") shall be entitled to elect one Director to replace each Director (if any) serving on the First Board who is a direct representative or employee of the Declarant, and any Purchaser Members who are then serving on the First Board shall remain in office until the first Annual Members Meeting following the "Interim Election Meeting" referred to below. The election of Directors to replace the Directors on the First Board who are employees or representatives of Declarant shall occur at a special meeting of the membership to be called by the Board for such purpose ("Interim Election Meeting"). The First Board shall serve until the Interim Election Meeting.

2.21 Interim Election Meeting. The Interim Election Meeting shall be called by the Association, through the Board, within sixty (60) days after the Purchaser Members are entitled to elect the Directors who will replace the Directors serving on the First Board who are employees or representatives of the Declarant, as provided in Paragraph 5.4 hereof. A notice of meeting shall be forwarded to all Members in accordance with the applicable provisions of these Bylaws; provided, however, that the Members shall be given at least fourteen (14) days' notice of such meeting. The notice shall also specify the number of Directors to be elected by the Purchaser Members and the remaining number of Directors on the First Board who are Purchaser Members that will remain office until the first annual members Meeting following the Interim Election Meeting.

2.22 Interim Board. At the Interim Election Meeting, Purchaser Members shall elect a number of Directors equal to the number of Directors being replaced (i.e., the number of Directors on the First Board who are direct representatives or employees of Declarant at the time of the Interim Election Meeting). The Director(s) elected at the Interim Election Meeting and the Purchaser Member(s) serving on the First Board as Directors shall constitute the "Interim Board".

A Director (other than a Declarant-appointed Director) may be removed from office upon the affirmative vote of Members holding at least a majority of the votes of the Association, for any reason deemed to be in the best interests of the Members. A meeting of the Members to so remove a Director (other than a Declarant-appointed Director) shall be held upon the written request of twenty percent (20%) of the Members.

2.23 Election of directors Following Interim Election Meeting. The Interim Board shall serve until the first Annual Members Meeting following the Interim Election Meeting. At each Annual Members' Meeting held subsequent to the Interim Election Meeting, all of the Directors shall be elected by the Members. At the first Annual Members Meeting held after the Interim Election Meeting, a "staggered" term of office of the Board shall be created as follows:

1.0.0 a number equal to fifty percent (50%) of the total number of Directors rounded to the nearest whole number is the number of Directors whose term of office shall be established at two (2) years and the Directors serving for a two (2) year term will be the Directors receiving the most votes at the meeting; and

2.0.0 the remaining Directors' terms of office shall be established at one (1) year.

At each Annual Members Meeting thereafter, as many Directors of the Association shall be elected as there are Directors whose regular term of office expires at such time, and the term of office of the Directors so elected shall be for two (2) years expiring when their successors are duly elected and qualified.

The resignation of a Director who has been designated by Declarant or the resignation of an officer of the Association who has been elected by the First Board shall remise, release, acquit, satisfy and forever discharge such officer or Director of and from any and all manner of action(s), cause(s) of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law or in equity, which the Association or Purchaser Members had, now have or will have or which any personal representative, successor, heir or assign of the Association or Purchaser Members hereafter can, shall or may have against said officer or Director for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of such resignation, except for such Director's or officer's willful misconduct or gross negligence.

2.24 Elimination of Interim Election Meeting and Interim Board. If, on the Turnover Date, all of the Directors serving on the First Board at the time are Purchaser Members (i.e., there being no direct representative or employee of Declarant on the First Board at the time), then the First Board shall continue to serve until the first Annual Members Meeting following the Turnover Date and there will be no Interim Election Meeting or Interim Board. In such event, at the first Annual Members Meeting following the Turnover Date, the Members will elect all of the Directors in accordance with Section 5.8.

2.25 Board's Initial Organizational Meeting. The organizational meeting of a newly elected Board shall be held within thirty (30) days of their election at such place and time as shall be fixed by the Directors at the meeting at which they were elected. No further notice of the organizational meeting shall be necessary.

2.26 Board Meetings. Regular meetings of the Board may be held at such times and places in the County as shall be determined from time to time by a majority of Directors. Special meetings of the Board may be called at the discretion of the President or the Vice President. Special meetings must be called by the Secretary at the written request of at least twenty percent (20%) of the Directors. Such special meeting may be held in the County at such time and place as determined by the Directors requesting such meeting or in such other place as all Directors shall agree upon.

2.27 Notice. Notice of the time and place of regular and special meetings of the Board, or adjournments thereof, shall be given to each Director personally or by mail, telephone or telegraph at least three (3) days prior to the day named for such meeting unless such notice is waived before, during or after such meeting. Any Director may waive notice of the meeting in writing before, during or after a meeting and such waiver shall be deemed equivalent to the receipt of notice by such Director.

2.28 Quorum. A quorum of the Board shall consist of the Directors entitled to cast a majority of the votes of the entire Board. Matters approved by a majority of the Directors present at a meeting at which a quorum is present shall constitute the official acts of the Board, except as may be otherwise specifically provided by law, by the Association Documents, or elsewhere herein. If at any meetings of the Board there shall be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any meeting that takes place on account of a previously adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted. In the case of the adjournment of a meeting, no further notice of the adjourned meeting need be given unless otherwise determined by the Board.

2.29 Presiding Officer. The presiding officer at all Board meetings shall be the President. In the absence of the President, the Directors shall designate any one of their number to preside.

2.30 Fees. Directors' fees, if any, shall be determined by the Members.

2.31 Minutes. Minutes of all meetings of the Board shall be kept in a businesslike manner and be available for inspection by Members and Directors at all reasonable times.

2.32 Executive Committee. The Board shall have the power to appoint an "Executive Committee(s)" of the Board consisting of not less than three (3) Directors. An Executive Committee(s) shall have and exercise such powers of the Board as may be delegated to such Executive Committee(s) by the Board.

2.33 Open Meetings. Meetings of the Board may be open to all Members on such terms as the Board may determine. The Board may also hold closed meetings to the extent permitted by applicable law.

2.34 Written Action in Lieu of Meeting. Any action required or permitted to be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, specifically setting forth the action to be taken, shall be signed by all the Directors entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of Directors.

6. Powers and Duties of the Board

2.35 General. All of the powers and duties of the Association shall be exercised by the Board. Such powers and duties of the Board shall include, but not be limited to, all powers and duties set forth in the Association Documents, as well as all of the powers and duties of a director of a corporation not for profit.

2.36 Association Management. The Association may employ a manager to perform any of the duties, powers or functions of the Association. Notwithstanding the foregoing, the Association may not delegate to the manager the power to conclusively determine whether the Association should make expenditures for capital additions or improvements chargeable against the Association fund in excess of five percent (5%) of the budgeted Operating Expenses of the Association for any fiscal year of the Association. The members of the Board shall not be personally liable for any omission or improper exercise by the manager of any duty, power or function delegated to the manager by the Association.

7. Indemnification of Directors, Officers and Employees

2.37 Applicable Law. Any person who at any time is serving or has served as a Director, officer, employee or agent of the Association, or who is serving or has served in any such capacity at the request of the Association in any other corporation, partnership, joint venture, trust or other enterprise or, at the request of the Association, as a trustee or administrator under any employee benefit plan, shall be indemnified by the Association to the fullest extent permitted by law, including but not limited to indemnification against (i) reasonable expenses,

including attorneys' fees actually and necessarily incurred by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Association, seeking to hold him liable by reason of the fact that he is or was acting in such capacity, and (ii) reasonable payments made by him in satisfaction of any judgment, money decree, fine penalty or settlement for which he may become liable in any such action, suit or proceeding.

The Board shall take all such action as may be necessary and appropriate to authorize the Association to pay the indemnification required by the provisions of this Section 7.1, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him and if required, giving notice to, and obtaining approval by, the Members of the Association.

Any person who at any time serves or has served in any of the aforesaid capacities for, on behalf of, or at the request of the Association shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided under this Section 7.1. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provisions of the Bylaws.

If the applicable law of the State of South Carolina pertaining to nonprofit corporations is subsequently amended to eliminate or further limit the personal liability of Directors or to authorize corporate action to eliminate or further limit such liability, then the liability of the Directors of this Association shall, without any further action of the Board or the Members, be eliminated or limited to the fullest extent permitted by the applicable provisions of South Carolina law, as so amended.

2.38 Insurance. The Association shall have the power to purchase and maintain insurance on behalf of any person who is serving or has served as a Director, officer, employee or agent of the Association, or who is serving or has served in any such capacity at the request of the Association in any other corporation, partnership, joint venture, trust or other enterprise or, at the request of the Association, as a trustee or administrator under any employee benefit plan against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Association would otherwise have the power to indemnify him against such liability.

2.39 Other Forms of Indemnification. In addition to the indemnification authorized under the provisions of Sections 7.1 and 7.2 of this Section 7 and under the provision of South Carolina law, the Association, acting pursuant to a resolution adopted by the Board, may by contract agree to indemnify any person who at any time is serving or has served as a Director, officer, employee or agent of the Association, or in any such capacity at the request of the Association in any other corporation, partnership, joint venture, trust or other enterprises or, at the request of the Association, as a trustee or administrator under any employee benefit plan,

against liability and reasonable litigation expenses, including attorneys' fees, arising out of his status as such or his activities in any of the foregoing capacities before or after the date on which the contract is executed; PROVIDED, HOWEVER, that the Association may not agree under any such contract to indemnify any such person against any liability or litigation expense he may incur in relation to matters as to which he shall have been adjudged in such action, suit or proceeding to have acted in bad faith or to have been liable or guilty by reason of willful misconduct in the performance of duty.

2.40 Any repeal or modification of the foregoing provisions of this Section 7 shall not affect any rights or obligations then existing with respect to any state of facts then or therefore or thereafter brought based in whole or in part on any such state of facts.

2.41 This Section is intended to provide indemnification solely for actions taken by a person in his/her capacity as an officer or Director of the Association. Nothing herein shall be deemed to provide indemnification to any Person for any liability that may result from that Person's ownership of any portion of the Property.

8. Late Fees

Any Residential Owner who fails to timely pay any Assessment may be charged a late charge of Twenty-Five Dollars (\$25) by the Association for such late Assessment. Residential Owners shall be responsible to pay all legal fees (including, but not limited to, attorney and paralegal fees and court costs) incurred in connection with the collection of late Assessments whether or not an action at law to collect said Assessment and foreclose the Association's lien has been commenced. The Board may also charge Residential Owners a reasonable amount for administrative fees, filing fees, document preparation fees and recording costs associated with the filing of documents in the enforcement and satisfaction of the Association's lien for unpaid Assessments, including but not limited to, reimbursement for attorney and/or paralegal time spent pursuing collection of such unpaid Assessments.

9. Officers of the Association

2.42 Officers. Executive officers of the Association shall be the President, who shall be a Director, one or more Vice Presidents, a Treasurer and a Secretary, all of whom shall be elected annually by the Board. Any officer may be removed without cause from office by vote of the Directors at any meeting of the Board. The Board may, from time to time, elect such other officers and assistant officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association. One person may hold any two offices simultaneously, except where the functions of such offices are incompatible, but no person shall hold the office of President and any of the following offices simultaneously: Vice President, Secretary or Assistant Secretary.

2.43 President. The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the President of an association or a corporation not for profit, including, but not limited to, the power to appoint such committees from among the Members at such times as he may, in his discretion, determine appropriate to assist in the conduct of the affairs of the Association. If in attendance, the President ("Chairman") shall preside at all meetings of the Board and the Members; provided, however, that the President may appoint a substitute.

2.44 Vice President. In the absence or disability of the President, a Vice President shall exercise the powers and perform the duties of the President. If more than one (1) Vice President, the Board shall designate which Vice President is to perform which duties. The Vice President(s) shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Board. In the event there shall be more than one Vice President elected by the Board, then they shall be designated "First," "Second," etc., and shall exercise the powers and perform the duties of the presidency in such order.

2.45 Secretary. The Secretary shall keep the minutes of all meetings of the Board and the Members, which minutes shall be kept in a businesslike manner and be available for inspection by Members and Directors at all reasonable times. The Secretary shall have custody of the seal of the Association and affix the same to instruments requiring such seal when duly authorized and directed to do so. The Secretary shall be custodian for the corporate records of the Association, except those of the Treasurer, and shall perform all of the duties incident to the office of Secretary of the Association as may be required by the Board or the President. The Assistant Secretary, if any, shall perform the duties of the Secretary when the Secretary is absent and shall assist the Secretary under the supervision of the Secretary.

2.46 Treasurer. The Treasurer shall have custody of all of the monies of the Association, including funds, securities and evidences of indebtedness. The Treasurer shall keep the assessment rolls and accounts of the Members and shall keep the books of the Association in accordance with good accounting practices and he shall perform all of the duties incident to the office of the Treasurer. The Assistant Treasurer, if any, shall perform the duties of the Treasurer when the Treasurer is absent and shall assist the Treasurer under the supervision of the Treasurer.

2.47 Compensation. The compensation, if any, of the officers and other employees of the Association shall be fixed by the Board. This provision shall not preclude the Board from hiring a Director as an employee of the Association or preclude the contracting with a Director or a party affiliated with a Director for the management or performance of contract services for all or any part of the Subdivision.

10. Resignations

Any Director or officer may resign his post at any time by written resignation, delivered to the President or Secretary, which shall take effect upon its receipt unless a later date is specified in

the resignation, in which event the resignation shall be effective from such date unless withdrawn. The acceptance of a resignation shall not be required to make it effective. The conveyance of all Lots and Living Units owned by any Director or officer (other than appointees of Declarant or officers and Directors who were not Residential Owners) shall constitute a written resignation of such Director or officer.

11. Accounting Records; Fiscal Management

2.48 Records. The Association shall use the cash basis method of accounting and shall maintain accounting records in accordance with good accounting practices, which shall be open to inspection by Members and Institutional Mortgagees or their respective authorized representatives at reasonable times. Such authorization as a representative of a Member must be in writing and signed by the person giving the authorization and dated within sixty (60) days of the date of the inspection. Such records shall include, but not be limited to: (i) a record of all receipts and expenditures; and (ii) an account for each Residential Lot within the Project which shall designate the name and address of the Residential Lot Owner thereof, the amount of Base Assessments and all other Assessments, if any, charged to the Residential Lot, the amounts and due dates for payment of same, the amounts paid upon the account and the balance due.

2.49 Budget. The Board shall adopt a Budget (as provided for in the Declaration) of the anticipated Operating Expenses for each forthcoming calendar year (the fiscal year of the Association being the calendar year) at a special meeting of the Board ("Budget Meeting") called for that purpose to be held during the month of November of the year preceding the year to which the Budget applies, provided that the first Budget Meeting is to be held prior to the completion of the first Living Unit. The first Budget and all subsequent Budgets prepared during the Deficit Funding Period referred to in the Declaration, shall be based upon a projection of the total Operating Expenses at full build-out of the Project and the Base Assessment shall be determined by dividing the amount of the total anticipated Operating Expenses at full build-out by a number equal to 75% of the Total Planned Units (referred to in the Declaration). Prior to the Budget Meeting, a proposed Budget for the Operating Expenses shall be prepared by or on behalf of the Board. Within thirty (30) days after adoption of the Budget, a copy thereof shall be furnished to each Member, and each Member shall be given notice of the Base Assessment applicable to such Member's Living Unit. The copy of the Budget shall be deemed furnished and the notice of the Base Assessment shall be deemed given upon its delivery or upon its being mailed to the Member shown on the records of the Association at his last known address as shown on the records of the Association.

2.50 Fiscal Management. In administering the finances of the Association, the following procedures shall govern: (i) the fiscal year shall be the calendar year; (ii) any monies received by the Association in any calendar year may be used by the Association to pay expenses incurred in the same calendar year; (iii) there shall be apportioned between calendar years on a pro rata basis any expenses which are prepaid in any one calendar year for Operating Expenses which cover more than such calendar year; (iv) Assessments shall be made as more fully

provided in the Declaration in amounts no less than are required to provide funds in advance for payment of all of the anticipated current Operating Expenses and for all unpaid Operating Expenses previously incurred (subject to the obligations of Declarant during the Deficit Funding Period); and (v) items of Operating Expenses incurred in a calendar year shall be charged against income for the same calendar year regardless of when the bill for such expenses is received. The Assessments for Operating Expenses and any periodic installments thereof shall be of sufficient magnitude to insure an adequacy and availability of cash to meet all budgeted expenses in any calendar year as such expenses are incurred in accordance with the cash basis method of accounting (subject to the obligations of Declarant during the Deficit Funding Period).

2.51 Base Assessment. The Base Assessment and other Assessments provided for in the Association Documents shall be payable as provided for in the Declaration.

2.52 Deficits. No Board shall be required to anticipate revenue from Assessments or expend funds to pay for Operating Expenses not budgeted or which shall exceed budgeted items, and no Board is required to engage in deficit spending. Following the Deficit Funding Period (referred to in the Declaration), should there exist any deficiency which results from there being greater Operating Expenses than monies from Assessments, then such deficits shall be carried into the next succeeding year's Budget as a deficiency or shall be the subject of a Special Assessment or an upward adjustment to the Base Assessment.

2.53 Bank Accounts. The depository of the Association shall be such bank or banks as shall be designated from time to time by the Board in which the monies of the Association shall be deposited. Withdrawal of monies from such account shall be only by checks signed by such persons as are authorized by the Board.

2.54 Annual Reports. A report of the accounts of the Association shall be made annually by an auditor, accountant or certified public accountant. The accounting records shall be made available for inspection by the Members or their authorized representative at reasonable times at the office of the Association.

12. Rules and Regulations

The Board may at any meeting of the Board adopt rules and regulations or amend, modify or rescind then existing rules and regulations for the operation of the Project, provided, however, that such rules and regulations are not inconsistent with the terms or provisions of the Association Documents. Copies of any rules and regulations promulgated, amended or rescinded shall be mailed or delivered to all Members at the last known address for such Members as shown on the records of the Association at the time of such delivery or mailing and shall not take effect until forty-eight (48) hours after such delivery or mailing.

13. Parliamentary Rules

The then latest edition of Robert's Rules of Order shall govern the conduct of meetings of all

Members and the Board; provided, however, if such rules of order are in conflict with any of the Association Documents, Robert's Rules of Order shall yield to the provisions of such instrument.

14. Roster of Owners

Each Residential Owner shall file with the Association a copy of the deed or other document showing his ownership. The Association shall maintain such information. The Association may rely on the accuracy of such information for all purposes until notified in writing of changes therein. Each Residential Owner who mortgages his Living Unit shall notify the Association of the name and address of the Institutional Mortgagee. Any Residential Owner who satisfies the mortgage encumbering his Living Unit shall also notify the Association thereof, and shall file a copy of the satisfaction of mortgage with the Association. The names and addresses of any such Institutional Mortgagees shall be maintained with the roster of Residential Owners.

15. Amendment of the Bylaws

2.55 These Bylaws may be amended as hereinafter set forth in this Section 15.

2.56 After Turnover Date. After the Turnover Date, any Bylaw of the Association may be amended or repealed, and any new Bylaw of the Association may be adopted by either:

1.0.0 majority vote of the Members at any Annual Members' Meeting or any special meeting of the Members called for that purpose or by majority action of the Members who have acted by written response in lieu of a Meeting as permitted by these Bylaws; or

2.0.0 by the affirmative vote of a majority of the Directors then in office at any regular meeting of the Board or at any special meeting of the Board called for that purpose or by written instrument signed by all of the Directors as is permitted by these Bylaws, provided that the Directors shall not have any authority to adopt, amend or repeal any Bylaw if such new Bylaw or such amendment or the repeal of a Bylaw would be inconsistent with any Bylaw previously adopted by the Members.

2.57 Until Turnover Date. Regardless of any other provision in this Section 15, until the Turnover Date, all amendments or modifications to these Bylaws and adoption or repeal of Bylaws shall only be made by action of the First Board as described in Section 5 of these Bylaws, which First Board shall have the power to amend, modify, adopt and repeal any Bylaws without the requirement of any consent, approval or vote of the Members.

2.58 Amendments That Impair or Prejudice Rights. No amendment to these Bylaws shall be effective which shall impair or prejudice the rights or priorities of Declarant, the Association or of any Institutional Mortgagee under the Association Documents without the specific written approval of such Declarant, Association and/or Institutional Mortgagee affected thereby. Furthermore, no amendment to these Bylaws shall be effective which would prejudice

the rights of a then Residential Owner or his family members, guests, invitees and lessees to utilize or enjoy the benefits of the then existing Association Property unless the Residential Owner or Residential Owners so affected consent to such amendment in writing or unless such amendment is adopted in accordance with the procedures required for adoption of an amendment to these Bylaws after the Turnover Date.


2.59 FHA/VA Approval. As long as the "Class B" membership exists, if the Project is subject to any requirements of the Federal Housing Administration, the Veterans Administration, or any other governmental or quasi-governmental agency which insures, guaranties, or purchases mortgages, and such requirements provide that any material amendment of these Bylaws must be approved by such agency, then the applicable agency shall have the right to veto any material amendments to these Bylaws.

2.60 Form of Amendment. Any instrument amending, modifying, repealing or adding Bylaws shall identify the particular section or sections affected and give the exact language of such modification, amendment or addition or of the provisions repealed. A copy of each such amendment, modification, repeal or addition attested to by the Secretary or Assistant Secretary of the Association shall be recorded in the Public Records.


16. Interpretation

In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; and in the event of any conflict between the Articles and the Declaration, the Declaration shall control.

IN WITNESS WHEREOF, we being all the Directors of Waterford Town Home Owners Association, Inc. have hereto set our hands this ~~21st~~ day of ~~September~~, 2006.



ALEX WEEKS



WILLIAM CUTLER



CHAD PLUNKETT

CERTIFICATION

I, the undersigned do hereby certify:

THAT I am the duly elected and acting Secretary of Waterford Town Home Owners Association, Inc., a South Carolina nonprofit corporation, and that the foregoing Bylaws constitute the original Bylaws of the said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 21st day of September, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 21st day of September, 2006.



Chad Plunkett
Secretary

I:\DIVISION\Charleston\Liberty Hall (Turner-Moncrief)\townhm-subassoc\waterford\waterfordth@LH-BYLAWS doc



Berkeley County
Cynthia B. Forte
Register of Deeds
Moncks Corner 294616120

00081269 Vol: 6050 Pg: 298

Instrument Number: 2006- 00081269

As

Recorded On: October 16, 2006

Restrictive Covenants

Parties: WATERFORD TOWN HOME OWNERS ASSOCIATION

To

WATERFORD TOWN HOME OWNERS ASSOCIATION

Billable Pages: 14

Recorded By: STYLES, BROOKS

Num Of Pages: 19

Comment:

**** Examined and Charged as Follows: ****

Restrictive Covenants 24.00
Recording Charge: 24.00

**** THIS PAGE IS PART OF THE INSTRUMENT ****

I hereby certify that the within and foregoing was recorded in the Clerk's Office For: Berkeley County, SC

File Information:

Record and Return To:

Document Number: 2006- 00081269

STYLES, BROOKS

Receipt Number: 82277

8310 RIVERS AVENUE

Recorded Date/Time: October 16, 2006 03:47:31P

N. CHARLESTON SC 29418

Book-Vol/Pg: Bk-R VI-6050 Pg-298

Cashier / Station: D Smith / Cash Station 9



Cynthia B. Forte

Cynthia B Forte - Register of Deeds