

BY-LAWS
OF
HARBOUR WATCH PROPERTY OWNERS ASSOCIATION, INC.
(Last Amended March 27, 2009)

ARTICLE I
NAME, LOCATION, MEMBERSHIP, APPLICABILITY

Section 1.01 Name. The name of this Property Owners Association shall be Harbour Watch Property Owners Association, Inc., (hereinafter referred to as the “POA”), a South Carolina nonprofit corporation.

Section 1.02 Membership. The Membership of this POA shall be limited to Owners of Lots in that residential development known as “Harbour Watch on Lake Murray” (hereinafter referred to as the “Development”), located on Lake Murray, Lexington County, South Carolina, and shall include Owners of all Lots (including annexations, additions to or expansions of the Development).

Section 1.03 Registered Office and Agent. The POA shall maintain a registered office and shall have a registered agent whose business office is identical with such registered office. The POA may have offices at such place or places within reasonable proximity to the development as the Board of Directors (“Board”) may from time to time designate.

Section 1.04 Applicability. These By-laws are applicable to the Lots, Common Property and all improvements thereon in the Development. These By-laws are not applicable to the Harbour Watch Boat Owners Association, Inc. (or the multi-slip boat dock facility to be owned by the BOA) to which the BOA By-laws are applicable. These By-laws are binding on all present or future Owners, tenants, occupants, and other persons occupying or using the Common Property, Lots, and facilities of the Development in any manner with the exception of the BOA dock facility that shall fall under the jurisdiction of the BOA. The mere acquisition, rental, use, or other act of occupancy of any Lot or Common Property will signify that these By-laws are accepted and ratified. These By-laws are established pursuant to and subject to the provisions of the South Carolina Code of Laws, 1976, as amended, relating to nonprofit corporations and that certain Declaration of Protective Covenants, Conditions, Restrictions and Easements for Harbour Watch Phase I as from time to time amended and/or annexed (hereinafter referred to as the “Protective Covenants”). For purposes of these By-laws, words defined in the Protective Covenants shall have the same meaning as set forth in the Protective Covenants unless the context shall otherwise require or prohibit.

ARTICLE II
MEMBERSHIP AND VOTING RIGHTS

Section 2.01 Membership. Every Owner of a Lot in the Development (including any Lots in any annexations, additions to or expansions of the Development) shall be a Member of the POA, excluding persons who hold such an interest under a mortgage. Each Lot shall have one (1) vote and the weight of each vote is equal. The rights and privileges of Membership in the POA, including the right to vote and hold an office in the POA, may be exercised by all Members, but in no event shall more than one vote be cast nor more than one office be held for each Lot. Notwithstanding any of the foregoing to the contrary, no Owner, whether one or more persons, shall have more than one Membership or vote per Lot. In the event of multiple Owners of a Lot, the vote appertaining thereto shall be exercised as those Owners of such Lot themselves

determine and notify the Secretary or an Assistant Secretary of the POA prior to any meeting. In the absence of such notice, the vote appurtenant to such Lot shall be suspended in the event more than one person seeks to exercise such vote(s). Such suspended vote shall be counted for the purpose of calculating a quorum, but such a suspended vote shall not be cast with regard to voting matters of the POA until the persons owning such Lot determine how such vote shall be cast and so advise the Secretary or an Assistant Secretary of the POA. In the event the Owner of a Lot is not a natural person, the vote shall be cast by the person registered with the Secretary of the POA to vote on behalf of the Owner.

Section 2.02 Voting Rights. The POA shall have one (1) class of voting Membership, which shall consist of all Owners, including Declarant and/or Developer. Such Members shall be entitled to one (1) vote for each Lot owned in the development. The vote attributable to a Lot shall be exercised as a whole, and when more than one (1) person or a person other than a natural person owns such interest in any Lot or Dwelling, the vote therefor shall be exercised in accordance with the provisions of Section 2.01 of these By-laws.

Section 2.03 Suspension of Voting Rights. During any period in which the Owner of a Lot shall be in default in the payment of any annual or special assessment or other charge levied by the POA, the voting rights of such Lot Owner may be suspended by the Board until such assessment or charge has been paid. Such rights may also be suspended, after reasonable notice and a hearing, for a violation of any provisions of the Protective Covenants, these By-laws, any other published Rules and Regulations of the POA, or the Harbour Watch Documents.

ARTICLE III **MEMBERSHIP MEETINGS, QUORUM, VOTING, PROXIES**

Section 3.01 Location of Meeting. Membership meetings of the POA shall be held at a suitable location convenient to the Members as may be designated by the Board.

Section 3.02 Annual Meetings. Beginning at the end of the first fiscal year in which annual Assessments are collected, the Membership of the POA shall meet not less frequently than annually. The annual meetings for each fiscal year shall be held within ten (10) calendar months of the end of said fiscal year. At the annual meetings, comprehensive reports of the affairs, finances, and budget projections of the POA shall be made available to the Members. Notice of the date, time, and location of each annual meeting shall be mailed to all Members at least ten (10) days and not more than sixty (60) days in advance of the meeting. During the time that Developer has the right to appoint and/or remove officers and members of the Board, the business affairs of the association will be conducted by said officers and Board; and therefore, there may be no requirement to hold general votes of the Members. The main activity at these meetings will be to allow the officers to disseminate financial information with regard to the corporation and answer questions raised by Members.

Section 3.03 Special Membership Meetings. The Secretary of the POA shall be required to call a special meeting of the Members (i) when directed by the President of the POA, (ii) upon the resolution of a majority of the Board, or (iii) upon the presentation to the Secretary of the POA of a petition signed by Members entitled to cast at least one-half (1/2) of the votes of the POA. The call of the special meeting shall be by notice from the Secretary of the POA given at least ten (10) days and not more than sixty (60) days in advance of the meeting, and such notice shall state the date, the time, the location, and the purpose of such

special meeting. Only the business stated in the notice may be transacted at such a special meeting.

Section 3.04 Special Meeting of the Membership after the termination of Developer's Right to Appoint and/or Remove Officers and/or members of the Board. Upon the expiration or surrender of Developer's right to appoint and/or remove officers and members of the Board, Developer shall then give to each Member at least ten (10) days written notice of a special meeting to elect a new Board, such meeting to be held not more than sixty (60) days after the date of such expiration or surrender. In the event of the failure of Developer to call said meeting within the period provided above, the other Members may call such special meeting in accordance with the provisions of Section 3.03 of these By-laws. At such meeting, the Members shall elect two (2) directors for a term of three (3) years each, two (2) directors for a term of two (2) years each, and one (1) director for a term of one (1) year; provided, however, that the directors elected at such meeting shall also serve for that portion of the calendar year between the commencement of their terms and the first annual meeting following such special meeting so that their respective terms shall expire at the time of an annual meeting. Except in the case of death, resignation, disqualification or removal, each director elected by the Members shall serve until the annual meeting at which his term expires and until his successor has been duly chosen and qualified.

The procedure for the election of the Board at the special meeting shall be as follows: Nominations shall be accepted for not less than five (5) different Members to serve on the Board; upon the closing of such nominations, each Member present in person or by proxy shall cast a ballot listing thereon the names of the five (5) different nominees (no more and no less) for whom such Member wishes to vote, together with the address or number of the Lot of such voting Member; the ballots shall then be collected and tallied whereupon the two (2) persons receiving the greatest number of votes shall be elected to three (3) year terms, the two (2) persons receiving the next greatest number of votes shall be elected to two (2) year terms and the person receiving the next greatest number of votes shall serve a one (1) year term. In the event that only five (5) persons are nominated to serve on the Board, the terms of such persons shall be determined as follows: the Members entitled to vote shall cast a ballot by writing thereon the name of the two nominees whom such Member wishes to serve for a term of three (3) years; the ballots shall then be collected and tallied whereupon the two (2) persons receiving the greatest number of votes shall serve three (3) year terms, the two (2) persons receiving the next greatest number of votes shall serve two (2) year terms, and the person receiving the next greatest number of votes shall serve a one (1) year term. In the case of a tie, the president (or the vice-president, in the absence of the president) of the POA shall cast one additional vote to break the tie.

Section 3.05 Notice of Membership Meetings. It shall be the duty of the Secretary of the POA to mail a notice of each annual or special Membership meeting, stating the purpose thereof, as well as the date, time, and location where it is to be held. Such notice shall be delivered personally or sent by United States Mail, postage prepaid, to all Members of record at such address or addresses as any of them may have designated, or if no address has been so designated, at the address of their respective Lots. Except as may be otherwise required by law, notice shall be given to each Member at least ten (10) days and not more than sixty (60) days in advance of any meeting. The mailing of a notice in the manner provided in this Section 3.05 shall be considered to be the giving of such notice. Any Member (or any mortgagee of any Member entitled to notice) may waive the notice of a meeting by doing so in writing before or after such meeting. Attendance at a meeting, either in person or by proxy, shall of itself constitute a waiver of notice and waiver of any and all objections to the time and location of such meeting or the manner in which it has been called or convened, unless a Member or other person entitled to notice attends such meeting solely for the purpose of stating, at the beginning of such meeting, any such objection or objections relating to such meeting. A recitation in the minutes of any Membership meeting that notice of such meeting was properly given shall be prima facie

evidence that such notice was so given.

Section 3.06 Conduct of Membership Meetings. The President, or the Vice-president in the absence of the President, shall preside over all meetings of the POA and the Secretary, or an Assistant Secretary in the absence of the Secretary, shall keep the minutes of all such meetings and shall record in a minute book all resolutions adopted at such meetings, as well as all transactions and proceedings occurring at such meetings.

Section 3.07 Order of Business. The order of business at all annual meetings shall be as follows:

- (a) Roll call and certification of proxies and/or absentee ballots.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers, if any.
- (e) Reports of committees, if any.
- (f) Unfinished business.
- (g) New business.
- (h) Election or appointment of inspectors of election.
- (i) Election of directors.
- (j) Adjournment.

Section 3.08 Quorum. Except as otherwise provided in the Protective Covenants or in these By-laws, the presence in person or by proxy of Members entitled to cast one-third (1/3) of all the votes of the POA at the beginning of any duly called meeting of the Members shall constitute a quorum for a meeting of the POA when voting on any matters that were not specifically listed in the notice to the Members as described in Section 3.05 above. Except as may otherwise be required by law, so long as proper notice is given to the Members, there shall be no minimum quorum requirement to hold a duly called annual meeting of the Members. On any noticed matter voted on at any annual meeting, the quorum will be composed of those voting upon the matter.

Section 3.09 Proxy and/or Absentee Ballot. An Absentee Ballot shall be the only form of proxy other than a proxy given by a Member to Developer. As per the Protective Covenants, at no time may an Absentee Ballot give to any Member other than Developer the right to vote for any other Member. Members shall have the right to give proxies to Developer.

Section 3.10 Action Taken by POA. Except as otherwise provided by the Protective Covenants or these By-laws, any action taken at any meeting of the Members shall only be effective and valid if taken or authorized by not less than a majority of all of the votes cast by the Members present in person or by proxy at a duly constituted meeting. In the event of any tie vote at any regular, special, or adjourned meeting of the POA, the President, or the Vice-president in the absence of the President, shall cast a separate vote to break the tie. For purpose of these By-laws, "majority" shall mean more than fifty percent (50%); provided, however, the foregoing provisions of these By-laws to the contrary notwithstanding, any action which by law or pursuant to the provisions of the Protective Covenants or these By-laws requires the assent of a specified number or percentage of the votes of the Members greater than that herein specified, shall not be considered the act of the Members unless such requisite number or percentage so prescribed by law or by the Protective Covenants or these By-laws is obtained. Furthermore, during the time period that Developer has the right to appoint and/or remove officers and members of the Board, the written consent of Developer must also be

obtained in order for any action taken at any meeting of the Members to be effective and valid.

Section 3.11 Voting. Except as otherwise provided in the Protective Covenants or these By-laws, voting on all matters shall be by voice vote or by a show of hands for all Members present or represented at the meeting and by absentee ballot for all Members not present or represented at the meeting unless any Member, prior to the voting on any matter, demands vote by ballot, in which case each ballot shall state the name of the Member voting, the Lots owned by such Member, and the number of votes cast by such Member.

ARTICLE IV

BOARD OF DIRECTORS, NUMBER, POWERS, MEETINGS

Section 4.01 Number. So long as Developer shall have the right to appoint and/or remove members of the Board and officers of the POA as provided by the Protective Covenants, the Board shall consist of at least three (3) directors and such directors shall be appointed by and serve at the pleasure of Developer. After such right shall have terminated or been relinquished, as provided by the Protective Covenants, the Members shall elect five (5) persons to the Board at the special meeting of the POA described in Section 3.04 of these By-laws. Except with respect to directors appointed by Developer and except as provided in Section 4.07 hereof, directors must be Members at all times during their service as directors; provided, however, the term “Members,” for purposes of this Section 4.01 and Section 5.01 hereof, shall be deemed to include, without limitation, any shareholder, director, officer, partner, or trustee of any entity or person which is, either alone or in conjunction with any other person or persons, a Member. Any individual who would not be eligible to serve as a member of the Board were he not a shareholder, director, officer, partner in, or trustee of such an entity or person, shall be deemed to have disqualified himself from continuing as a director if he ceases to have any such affiliation with that entity or person.

Section 4.02 Powers and Duties. The Board shall have the powers and duties necessary to administer the affairs of the POA, including, but not necessarily limited to, those powers and duties specifically assigned to the Board in the Protective Covenants, the Articles of Incorporation, and these By-laws. Consistent therewith, the Board shall have the power to adopt Rules and Regulations which it deems necessary for the administration of the affairs of the POA and to impose sanctions for violations of the Protective Covenants, these By-laws and the published rules and regulations of the POA, subject to the provisions of the Protective Covenants.

Section 4.03 Other Duties. The Board shall exercise such duties and responsibilities as shall be incumbent upon it by law and by the Protective Covenants, together with such other duties and responsibilities as it may deem necessary or appropriate in the exercise of its powers. In addition to other duties, the Board shall be responsible for the following matters:

- (a) Maintenance, repair, renovation, restoration, replacement, care, and upkeep of the Common Property and other portions of the development maintained by the POA;
- (b) Collection of Assessments levied by the POA;
- (c) Designation and dismissal of the personnel necessary for the maintenance and operation of the Common Property and other portions of the development which are the responsibility of the POA;
- (d) Subject to the provisions of the Protective Covenants, the promulgation of rules and regulations

governing the access to, use and enjoyment of the Common Property; and
(e) Administer the POA meetings.

Section 4.04 Management. Subject to the provisions of the Protective Covenants, the Board may employ a management agent under such terms, compensation, and duties as the Board may, in its sole discretion authorize, provided that no such employment shall be by a contract having a term of more than three (3) years, and each such contract shall be subject to cancellation by the POA upon ninety (90) days or less prior notice without cause and without payment of a termination fee. The manager shall not have the authority to make expenditures for additions or improvements chargeable against the Maintenance Fund except upon specific prior written approval and direction by the Board. The Board shall not be liable for any omission or improper exercise by a manager of any duty, power or function so delegated by or on behalf of the Board.

Section 4.05 Procedure for Subsequent Elections and Terms of Office. At the first annual meeting following said special meeting described in Section 3.04 (after the termination of Developer's right to appoint and/or remove officers and members of the Board) and at each subsequent annual meeting, the Members shall, in accordance with the procedures hereinafter set forth, elect directors to succeed those directors whose terms have expired at the same time of such meeting. Such directors so elected shall each serve for a term of three (3) years. Persons may be nominated for election to the Board prior to the annual meeting and by nominations made from the floor at the meeting for such election. Election to the Board shall be by secret written ballot unless dispensed by majority consent. At the election, the Members or their proxies may cast, with respect to each vacancy, the vote(s) of their respective Lots. Immediately after any general membership meeting in which any new board members are elected, an organizational meeting of the new Board will be held.

Section 4.06 Removal or Resignation. Subsequent to the termination of Developer's right to appoint and/or remove officers and members of the Board, any one or more of the directors may be removed with or without cause by a majority vote of the total authorized vote of the Members in the development which is taken at any regular or special meeting of the POA, and a successor shall be elected by the Members at such meeting in order to fill the un-expired portion of such director's term. Any director whose removal has been proposed by any Member or Members shall be given an opportunity to be heard at such meeting. Any director may resign at any time by giving written notice to the members of the Board. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The sale by a director of all of his or her Lot(s) or any other termination of his or her interest in such Lots shall automatically terminate his directorship. Subsequent to the termination of the right of Developer to appoint and/or remove officers and members of the Board, vacancies in the Board caused by any reason other than the removal of a director by a vote of the Members shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum, and each person so elected shall serve until a successor is elected and qualifies at the next annual meeting of the Members, with such successor to serve the remainder of such terminated director's term of office.

Section 4.07 Officers, Agents, or Employees of Developer: With respect to Lots owned by Declarant or Developer, Developer may appoint any of its officers, agents, or employees to act for Declarant or Developer as a Member, director, or officer of the POA, and Developer may, at any time, replace any such director or officer acting for Developer with any other officer, agent, or employee of Developer.

Section 4.08 Fees and Compensation. Except as provided in Section 10.06 of the Protective Covenants with respect to members of the Architectural Standards Committee and Section 3.10 of the Protective Covenants with respect to a manager, no fee or other compensation shall be paid by the POA to directors for their services as directors unless such fee or compensation is first fixed by a resolution adopted by a majority vote of the total vote of the Members.

Section 4.09 Regular Board Meetings. The Board may provide, by resolution, the time and location for the holding of regular Board meetings, in addition to the organizational meeting, and such regular meetings shall be held without notice other than such resolution.

Section 4.10 Special Meetings. Special meetings of the Board may be called by the President on at least three (3) days notice to each director, given personally or by mail, or telephone, which notice shall state the time, location, and purpose of the meeting. Special meetings of the Board may also be called by the Secretary of the POA in like manner and on like notice on the written request of at least a majority of the directors.

Section 4.11 Waiver of Notice. Before or at any meeting of the Board, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be deemed to be a waiver of notice of such meeting and waiver of any and all objections to the time and location of the meeting and the manner in which it was called or convened, except when a director states, at the beginning of the meeting, any such objection or objections.

Section 4.12 Entry of Notice. Whenever any director has been absent from any special meeting of the Board, an entry in the minutes to the effect that notice has been duly given shall be prima facie evidence that due notice of such special meeting was given such director, as required by law and by the By-laws of the POA.

Section 4.13 Board of Directors Quorum. At all meetings of the Board, a majority of the directors then in office shall constitute a quorum for the transaction of business.

Section 4.14 Conduct of Meetings. The President, or the Vice-president in the absence of the President, shall preside over all meetings of the Board and the Secretary or an Assistant Secretary in the absence of the Secretary, shall keep the minutes of such meetings, as well as all transactions and proceedings occurring at such meetings.

Section 4.15 Action Taken by Directors. Except as otherwise provided in the Protective Covenants and these By-laws or by law, every act or decision by a majority of the directors at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board. In the event of any tie vote, the President, or the Vice-president in the absence of the President, shall cast a separate vote to break the tie.

Section 4.16 Action Without Formal Meeting. Any action required or permitted to be taken at any meeting of the Board or of any committee appointed by the Board may be taken without a meeting if written consent, setting forth the action so taken, shall be signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board or

committee. Such consent shall have the same force and effect as a unanimous vote by the Board or by such committee, as the case may be.

Section 4.17 Special Committees. The Board shall have the power and authority to create special committees, including but not necessarily limited to, the Architectural Standards Committee, a Communications/Newsletter Committee, a Clubhouse Committee, a Common Areas Maintenance Committee, and a Social Events Committee. Any such committee shall advise the Board on matters pertaining to the purposes for which any such special committee shall have been created and shall have and exercise such powers as may be provided by resolution of the Board. The members, including the chairman, of any such special committee shall be appointed by and shall serve at the pleasure of the Board. Notwithstanding the foregoing to the contrary, the Architectural Standards Committee shall be governed by the provisions of the Protective Covenants.

ARTICLE V **OFFICERS**

Section 5.01 Enumeration of Officers. The officers of the POA shall be a President, a Vice-president, a Secretary, an Assistant Secretary and a Treasurer. Once the right of Developer to appoint and/or remove officers and members of the Board has expired or been surrendered, these Officers shall also serve as members of the Board. The Board may from time to time by resolution create additional Officers. Except with respect to officers appointed by Developer and except as provided in Section 4.07 hereof, each officer must be a "Member" as defined in Section 4.01 of these By-laws.

Section 5.02 Election. For the period provided by the Protective Covenants, the officers of the POA shall be appointed by and serve at the pleasure of Developer. After the right of Developer to appoint and/or remove such officers has terminated or has been relinquished, the Board shall elect the officers of the POA at each organizational meeting thereof. The Board, at any time and from time to time, may appoint such other officers as it shall deem necessary, including one or more Assistant Secretaries or Assistant Treasurers, who shall hold their offices for such terms as shall be determined by the Board and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 5.03 Compensation. Except as provided in Section 10.06 of the Protective Covenants with respect to members of the Architectural Standards Committee and Section 3.10 with respect to a manager, no fee or compensation shall be paid by the POA to any officer for his services as an officer unless such fee or compensation is first fixed by a resolution adopted by a majority vote of the total vote of the Members.

Section 5.04 Term. Each officer of this POA shall be elected at the time of each organizational meeting of the Board, or until his earlier resignation, death, removal, or other disqualification, and each shall hold office until the next organizational meeting of the Board and until his successor is duly elected and qualified. The Board may remove any officer whenever in its judgment the best interest of the POA will be served thereby. The sale by an officer of all of his or her lot(s) or a termination of his entire interest therein shall automatically terminate his or her term as an officer.

Section 5.05 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board for the unexpired portion in the term.

Section 5.06 President. The President shall be a director and the chief executive officer of the POA and, subject to the control of the Board, shall, in general, manage, supervise, and control all of the business and affairs of the POA and perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time. The President shall, when present, preside at all meetings of the POA. The President may sign, with the Secretary, or any other proper officer of the POA authorized by the Board, any contracts, deeds, notes, mortgages, bonds, policies of insurance, checks, or other instruments which the Board has duly authorized to be executed, except in cases where signing or execution thereof shall be expressly delegated by the Protective Covenants or these By-laws or by the Board to some other officer or agent of the POA, or shall be required by law to be otherwise signed or executed.

Section 5.07 Vice-presidents. In the absence of the President, or in the event of his death or resignation, removal, disqualification, inability or refusal to act, the Vice-president (or in the event there is more than one Vice-president, the Vice-presidents in the order designated at the time of their election, or in the absence of any designation, in the order of election) shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice-president may perform such duties as are set forth in these By-laws or as shall from time to time be assigned to him by the Board.

Section 5.08 Secretary. The Secretary shall: (a) attend and keep the minutes of meetings of the POA, of the Board, and of any committees having any of the authority of the Board in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the Protective Covenants or the provision of these By-laws or as required by law; (c) be custodian of the POA records; and, (d) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board.

Section 5.09 Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the POA, receive and give receipts for monies due and payable to the POA from any source whatsoever, and deposit all such monies in the name of the POA in such banks, trust companies, money market funds, or other depositories or accounts as shall be from time to time selected by the Board; (b) authorize vouchers and checks for monies payable by the POA; (c) promptly render to the President and to the Board an accounting of the financial condition of the POA whenever requested; (d) prepare and deliver any certificate required by the Protective Covenants; and (e) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board.

Section 5.10 Assistant Secretary. The Assistant Secretary, in general, shall perform such duties as shall be assigned by the Secretary or Treasurer, respectively, or by the Board.

ARTICLE VI **ASSESSMENTS**

Section 6.01 Creation of Lien and Personal Obligation of Assessments. Upon the acceptance of title to a Lot whether or not it shall be so expressed in any deed or other conveyance, each Owner shall be deemed to covenant and agree to all of the terms and provisions of the Covenants and these By-laws of the POA and the obligation to pay to the POA, the Assessments which are hereinafter described. The annual assessment and proposed budget shall be established by the Board of Directors of the POA. Once Developer's right to appoint and/or remove Officers and Directors has expired or been relinquished, it shall

be the duty of the Board at least thirty (30) days prior to the POA's annual meeting to prepare a budget covering the estimated common expenses relating to maintenance, improvement and operation of the Common Property during the succeeding year, and such budget may include a capital contribution or reserve account for the capital needs of the POA as determined by the Board. And, the Board shall cause the proposed budget and annual assessments to be levied against Lots for the following year to be delivered to each Owner fifteen (15) days prior to such meeting. The annual assessments shall be divided equally among Lots, which have been sold by Declarant or Developer to third party Owners, so that each Lot shall be subject to equal annual assessments. The budget and annual assessment shall become effective unless disapproved at the annual meeting by either a majority vote of the Members of the POA or by Developer for so long as Developer has the authority to appoint and remove directors and officers of the POA. Notwithstanding the foregoing, in the event the proposed budget is disapproved or the Board fails for any reason to determine the budget for the succeeding year, then and until such time as a budget shall have been determined as provided herein, the budget and annual assessment in effect for the current year shall be increased in proportion by the greater of either ten percent (10%) of the budget and annual assessment of the previous year or by the percentage increase, if any, over the previous year's Consumer Price Index, until a new budget shall have been approved as provided above. If any budget at any time proves inadequate for any reason, then the Board may call a meeting of the POA for the approval of a special assessment as provided herein. The Assessments together with any late charges thereon and cost of collection thereof as provided herein shall be a charge and continuing lien on the Lot against which such Assessments are made. Each such Assessment together with any such late charges thereon and cost of collection thereof as hereinafter provided, shall also be the personal obligation of the Owner of such Lot at the time when the Assessment first becomes due and payable. In the case of co-ownership of a Lot, all such co-owners shall be jointly and severally liable for the entire amount of the Assessment. The costs of collection shall include any reasonable attorney fees incurred in the collection thereof.

Section 6.02 Purpose of Assessments. The Assessments levied by the POA shall be used for: (i) the landscaping, improvement, maintenance, enhancement, enlargement and operation of the Common Property under these Covenants as provided herein; (ii) the maintenance and clearing of the Property and adjacent shoreline of Lake Murray; and (iii) to provide services which the POA is authorized to provide under these Covenants as provided herein. In carrying out these duties, the POA may make a payment of taxes and insurance, make improvements on the Common Property, pay the cost of labor, equipment, materials, management, supervision and accounting, repay any loans made to the POA and take such other action as is necessary to carry out the authorized functions. The Assessments levied by the POA may additionally be utilized to pay utility charges for serving the Common Property and charges for other common services for the Common Property, including trash collection and security services (including expenses associated with the operation, maintenance and repair of electronically monitored and operated gates controlling vehicular access to and from the Property), if any such services or charges are provided or paid by the POA. The Assessments may additionally be utilized to pay the cost of any policies of insurance purchased for the benefit of all Owners and the POA covering the all or part of the Common Property, including fire, flood and other hazard coverages, public liabilities coverage, liability insurance for the directors and officers of the POA, and such other insurance coverage as the Board determines to be in the interest of the POA and the Owners. The Assessments may additionally be utilized for the establishment and maintenance of a reasonable reserve fund for the maintenance, repair and replacement of Common Property improvements and to cover emergencies and repairs required as a result of casualties which are not covered by insurance proceeds and to cover unforeseen operating expenses or deficiencies arising from unpaid Assessments or liens, as well as from emergency expenditures and other matters, all as may be authorized from time to time by the Board of

Directors of the POA.

Section 6.03 Initial Assessment. The Owner of each Lot that has been sold by Declarant or Developer to a third party shall pay annual assessments pro-rated to the date of closing. The annual assessment is based on an annual assessment of \$450.00 for the calendar year 2002. The annual assessment for each Lot may thereafter be increased by no more than the greater of either the percentage increase over the previous year's Consumer Price Index or by ten percent (10%) of the annual assessments for the previous year (using \$450.00 as the annual assessment for the calendar year 2002).

Section 6.04 Special Assessments. In addition to the annual assessments authorized above, the POA, acting through its Board of Directors, may levy, in any assessment year, special assessments for the purposes set forth in Section 6.02 herein. If such special assessment is less than fifty percent (50%) of the annual assessment for that year, such special assessment must be approved by (a) Developer, for so long as Declarant or Developer owns any Lot primarily for the purpose of sale, and (b) by the Board of Directors of the POA. If such special assessment is equal to or greater than fifty percent (50%) of the annual assessment for that year, then such special assessment must be approved by (a) Developer, for so long as Declarant or Developer owns any Lots primarily for the purpose of sale, and (b) by a majority of the votes of the Owners eligible to vote, at a meeting duly called for this purpose in accordance with the notice and quorum requirements set forth in the By-laws. Such special assessments are to be charged equally to the Lots as provided with respect to the annual assessments and shall be subject to the same lien provisions and remedies for non-payment as other Assessments described in Sections 6.01, 6.05 and 6.06.

Section 6.05 Effect of Non-payment of Assessment. All Assessments shall be paid in a lump sum unless otherwise determined by the POA, and if any Assessment is not paid on or before the due date specified by the POA, then such assessment shall become delinquent and shall be subject to a late charge at a rate which equals the lesser of: (a) fifteen percent (15%) per annum, together with costs of collection including reasonable attorney's fees or (b) the highest rate then permitted by applicable law from the date of delinquency until the date of payment, together with cost of collection including reasonable attorneys fees as hereinafter provided. Such Assessments, late charges, and cost of collections shall become a charge and continuing lien on the Lot of the delinquent Owner and all improvements thereon against which each such Assessment is made, and shall be a personal obligation of the then Owner, his heirs, devisees, personal representatives and assigns. The personal obligation of the Owner to pay such Assessment is established at the time when the Assessment first became due and payable. The above-referenced lien shall be superior to all the liens and encumbrances on such lots except for (i) liens of ad valorem taxes; and (ii) liens for all sums unpaid on a first priority mortgage (as provided in Section 6.06 herein) or on any mortgage to Declarant, its affiliates, successors, or assigns. All of the persons acquiring liens or encumbrances on any Lot after these Covenants have been recorded shall be deemed to consent that such liens or encumbrances shall be inferior to such future liens for Assessments and charges as provided herein, whether or not such prior consent shall be specifically set forth in the instruments creating such liens or encumbrances. If an Assessment is not paid within thirty (30) days after the due date, the POA, may bring an action at law against the Owner personally and an action in equity to foreclose said lien and there shall be added to the amount of such Assessment, the cost of preparing and filing the complaint in such action. In the event a judgment is obtained, such judgment shall include late charges as above provided and reasonable attorneys fees. The equitable charge and lien provided for in this Article VI shall be in favor of the POA, and each Owner, by his acceptance of a deed or other conveyance to a Lot, vests in the POA the right and power to bring all actions against him personally for the collection of such Assessments as a debt and to foreclose the aforesaid lien in the same manner as other

liens for the improvements or real property.

Section 6.06 Subordination of Lien to Mortgages. The lien of the Assessments provided for herein shall be subordinate to the lien of any first priority mortgage or mortgages now or hereafter placed on any portion of the Property; provided, however, that such subordination shall apply only to the Assessments which have become due and payable prior to a sale or transfer of such Property pursuant to a decree of foreclosure or any other proceeding or deed in lieu of foreclosure, such mortgagee shall prospectively pay Assessments commencing on the date that it acquires title to the Lot.

Section 6.07 Assessment on Lots and Boat Slips Owned by Declarant or Developer. Notwithstanding anything to the contrary herein, for improved or unimproved Lots owned by Declarant or Developer, no Assessment of any type shall be levied upon such Lots by the POA without Developer's written consent; and, for any and all boat slips which have not yet been assigned to third party Owners, no Assessment of any type shall be levied upon such boat slips by the BOA without the Developer's written consent.

Section 6.08 Failure to Assess. The failure or omission of the Board to fix or establish any Assessments or other charges authorized hereunder and to deliver or mail to each Owner a notice setting forth the amount of Assessments and charges thereunder shall not be deemed a waiver, modification or release of any Owner from the obligation to pay any Assessments or other charges authorized hereunder on the same basis as for the last year for which an Assessment or charge was made until a new Assessment is made and notice thereof is delivered to the Owner, at which time any short falls and collections may be assessed retroactively by the POA against such Owner.

Section 6.09 Default Assessments. All monetary fines assessed against an Owner pursuant to the Harbour Watch Documents, or any expense of the POA which is the obligation of an Owner or which is incurred by the POA or Declarant on behalf of an Owner pursuant to the Harbour Watch Documents, shall be a default assessment and shall become a lien against such Owner's Lot which may be foreclosed or otherwise collected as provided in these Covenants. Notice of the amount and due date of such default assessment shall be sent to the Owner at least thirty (30) days prior to the due date, provided that failure to give such thirty (30) days prior notice shall not constitute a waiver thereof, but shall only postpone the due date for payment thereof until the expiration of said thirty (30) day period.

ARTICLE VII **FISCAL MATTERS AND BOOKS AND RECORDS**

Section 7.01 Fidelity Bonds. The Board may require that any contractor or employee of the POA handling or responsible for POA funds shall furnish an adequate fidelity bond. The premium for any such bond shall be paid by the POA as a common expense.

Section 7.02 Books and Records Kept by POA. The POA shall keep (i) detailed, complete and accurate financial records, including itemized records of all receipts and disbursements, (ii) minutes of the proceedings of all meetings of the Members and of the Board and committees having any of the authority of the Board, and (iii) such other books and records as may be necessary or required by law or to reflect accurately the affairs and activities of the POA.

Section 7.03 Inspection. The books, records, and papers of the POA shall, at all times during reasonable business hours and upon reasonable notice, be subject to inspection by any Member or Mortgagee or their respective agents or representatives for any proper purposes.

Section 7.04 Contracts. Subject to obtaining the consent and approval of Developer, if such consent and approval is required by the Protective Covenants or these By-laws, the Board may authorize any officer or officers, or agent or agents (including the manager), of the POA, in addition to the officers so authorized by the Protective Covenants and these By-laws, to enter into any contract or execute and deliver any instrument in the name of, or confined to specific instances.

Section 7.05 Checks, Drafts, etc. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the POA shall be signed by such officer or officers, or agent or agents, of the POA, and in such manner as shall from time to time be determined by resolution of the Board. In the absence of such determination by the Board, such instruments shall be signed by the Treasurer and countersigned by the President or a Vice-president of the POA.

Section 7.06 Deposits. All funds of the POA shall be deposited from time to time to the credit of the POA in such banks, trust companies, money market funds, or other depositories or accounts as the Board may elect.

Section 7.07 Gifts. The Board may accept, on behalf of the POA, any contribution, gift, bequest, or devise for the general purposes, or for any special purpose, of the POA.

Section 7.08 Fiscal Year. The initial fiscal year of the POA shall be the calendar year. The fiscal year for subsequent years shall be determined by the Board.

Section 7.09 Date POA Deemed Operative. The POA shall not be deemed operative for financial budgeting and other reporting purposes until the first fiscal year in which annual Assessments are collected.

ARTICLE VIII **COMPLIANCE AND DEFAULT**

Section 8.01 Violations. In the event of a violation (other than the non-payment of an assessment) by a Member of any of the provisions of the Protective Covenants or of these By-laws, the POA, by direction of its Board, may notify the Member by giving written notice of such violation, transmitted by mail, and if such violation shall continue for a period of ten (10) days from the date of notice, the POA, through its Board, shall have the right to treat such violation as an intentional and inexcusable and material breach of the Protective Covenants or the By-laws. The POA may then exercise any one or more of the following (but such exercise shall not be deemed to be an election and the POA may, at any time, exercise any additional one or more of the following):

- (a) an action at law to recover for its damage, on behalf of the POA or on behalf of the other Members;
- (b) an action in equity to enforce performance on the part of other Members;
- (c) an action in equity for such equitable relief as may be necessary under the circumstances, including injunctive relief;

- (d) institution of administrative procedures against the breaching Member pursuant to the provisions of the Protective Covenants or other Harbour Watch Documents, which may result in the levying of fines and/or sanctions.

Any violations which are deemed by the Board to be a hazard to public health may be corrected immediately as an emergency matter by the POA, and the costs thereof shall be charged to the Member as a specific item, which shall be a lien against said Lot with the same force and effect as if the charge were a part of the common expenses.

Section 8.02 Negligence or Carelessness of Member. Each Member shall be liable for the expense of any maintenance, repair or replacement to any Lot or Common Area rendered necessary by his act, neglect or carelessness or by that of any member of his family, or his guests, employees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the POA. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of any Lot or Dwelling, or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by any insurance company of its rights of subrogation. The expense for any maintenance, repair or replacement required, as provided in this Section, shall be charged to said Member as a specific item which shall be a lien against said Lot with the same force and effect as if the charge were a part of the common expenses.

Section 8.03 Costs and Attorneys' Fees. In any proceeding arising because of a violation or breach of the Protective Covenants or these By-laws by a Member, 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 8.04 No Waiver of Rights. The failure of the POA or of any Member thereof to enforce any right, provision, covenant or condition which may be granted by the Protective Covenants or these By-laws shall not constitute a waiver of the right of the POA or Member to enforce such right, provision, covenant or condition in the future.

Section 8.05 Election of Remedies. All rights, remedies and privileges granted to the POA, pursuant to any terms, provisions, covenants or conditions of the Protective Covenants or these By-laws, shall be deemed to be cumulative and the exercise of any one (1) or more shall not be deemed to constitute an election or 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 development documents, or at law or in equity.

Section 8.06 Rules and Regulations. The Board may, from time to time and subject to the Harbour Watch Documents, adopt, amend, and/or repeal rules and regulations, to be known as "Harbour Watch POA Rules and Regulations."

ARTICLE IX **MISCELLANEOUS**

Section 9.01 Parliamentary Rules. During the time that Developer has the right to appoint and remove directors and officers, the proceedings of any Membership meetings and any Board meetings may be held on an informal basis. However, once the right of Developer to appoint and remove directors and officers

has expired, unless waived by a majority vote of the Members in attendance in person or by proxy or by absentee ballot at any duly called Membership meeting, or unless waived by a majority of the directors present at any duly called meeting of the Board, Robert's Rules of Order (latest edition) shall govern the conduct of the proceedings of such meeting when not in conflict with South Carolina law, the Protective Covenants, or these By-laws. In order to expedite the conduct of business at meetings of the Members, any new business that needs to be addressed at any meeting of the Members shall be reduced to writing and given to the secretary of the association at least ten (10) days prior to the meeting in order that the item may be added to the agenda for the meeting. The presiding officer at any meeting of the Membership shall only be required to discuss items that are specifically listed on the meeting agenda.

Section 9.02 Conflicts. If there are conflicts or inconsistencies between the provisions of South Carolina law or the Protective Covenants and these By-laws, the provisions of South Carolina law and the Protective Covenants, in that order, shall prevail.

Section 9.03 Definitions. Unless the context shall otherwise require, words or phrases used herein which are defined in the Protective Covenants shall have the same meaning as therein set forth.

Section 9.04 Amendment. The Articles of Incorporation of the POA and these By-laws may be amended by the POA at a regular or special meeting of the Members duly called and held for such purpose pursuant to a resolution of the Board adopting a proposed amendment. Such resolution must be approved by the Members to which at least sixty percent (60%) of the total eligible votes to be cast by all Members of the POA, provided, however, no such amendment shall be effective until approved in writing by Developer while Developer has the right to appoint or remove officers and directors of the POA as set forth in the Protective Covenants. As with the conditions for amendment of the Protective Covenants (eg. Section 16.02), until Declarant and/or Developer conveys all of the Lots within the Property to third party purchasers, Developer shall have the right to amend these Bylaws without any approval of the POA or the Owners in any way that Developer in its sole discretion, deems desirable. Developer shall have the right to make such amendments unilaterally. Notwithstanding the foregoing, any amendment to these By-laws which would alter, modify, or rescind the right or privilege herein expressly granted to any Mortgagees shall require the prior written approval of such Mortgagee.

Section 9.05 Agreements. Subject to the provision of the Protective Covenants and the requirement for the consent and approval of Declarant and/or Developer, if such consent and approval is required by the Protective Covenants or these By-laws, all agreements and determinations duly authorized by the Board of the POA shall be binding upon all Members, their heirs, legal representatives, successors, assigns, or others having an interest in the development, and in performing its responsibilities hereunder, the POA, through the Board, shall have the authority to delegate to such persons of its choice such duties of the POA as may be determined by the Board.

Section 9.06 Liability. The officers and directors of the POA shall not be liable for any mistake of judgment, whether negligent or otherwise, except for their own individual willful misfeasance or malfeasance, misconduct, or bad faith. The officers and directors of the POA shall have no personal liability with respect to any contract or other commitment made by them in good faith, on behalf of the POA (except to the extent that such officers or directors may also be Members of the POA), and the POA, as a common expense, shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. In addition, each director and each officer

of the POA shall be indemnified and held harmless by the POA, as a common expense, from any expense, loss or liability by reason of having served as such director or as such officer and against all expense and liability, including court costs and reasonable attorneys' fees, incurred by or imposed upon such director or officer in connection with any proceeding to which he may be a party or have become involved by reason of being such director or such officer, whether or not he is a director or officer at the time such expenses are incurred, except in cases wherein the expenses and liability arise from a proceeding in which such director or such officer is adjudicated guilty of willful misfeasance or malfeasance, misconduct, or bad faith in the performance of his duties. In the event of a settlement of any such proceeding, the indemnification provided hereby shall apply only when the Board approves such settlement and reimbursement as being in the best interest of the POA. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former officer or director, may be entitled. To the extent available, the POA shall maintain adequate general liability and officers and director's liability insurance as a common expense to fund these obligations.

Section 9.07 Severability. Invalidation of any covenant, condition, restriction, provision, sentence, clause, phrase, or word of these By-laws, or the application thereof in any circumstances, shall not affect the validity of the remaining portions thereof and of the application thereof, and such remaining portions shall remain in full force and effect.

Section 9.08 Gender and Grammar. The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

Section 9.9 Headings and Captions. The Article and Section headings and captions herein are for convenience and reference only and in no way define or limit the scope and content of these By-laws or in any way affect the provisions hereof.

The foregoing was adopted as the By-laws of Harbour Watch Property Owners Association, Inc., at the first meeting of the Board held on September 27, 1999.

Harbour Watch Property Owners Association, Inc.

By: _____

Its: _____

Attest: _____

Its: _____