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ATTACHMENT

BY-LAWS

for

WINDMILL HARBOUR ASSOCIATION

ARTICLE I
IDENTITY

The following By-Laws shall govern the operation of Windmill Harbour Association, (the "Association").

The Association is a Non-Profit Corporation organized and existing under the laws of the State of South Carolina for the purposes set forth in PART THREE, ARTICLE VIII of the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Windmill Harbour Property and Provisions for Membership in Windmill Harbour Association (the "Windmill Harbour Covenants" or simply as the "Covenants").

Section 1. The offices of the Association shall be at c/o Windmill Harbour Security Office, 1 Harbour Passage, Windmill Harbour, Hilton Head Island, South Carolina 29926, or at such other place as may be subsequently designated by the Board of Directors of the Association.

Section 2. The Seal of the Corporation shall bear the name of the Corporation, the words "South Carolina", and the words "NonProfit Corporation".

Section 3. As used herein, the word "Association" shall be the equivalent of "Windmill Harbour Association" as defined in the Windmill Harbour Covenants. All other words, as used herein, shall have the same definitions as applied to them in the Windmill Harbour Covenants.

Section 4. The Association, its successors and assigns shall be considered: (1) assignees of the Declarant; (2) trustees of the Property Owners, their successors and assigns with respect to the Functions specified herein; (3) real parties in interest in any litigation or judicial proceeding affecting the Covenants, by virtue of the rights and obligations assigned to this Association herein; (4) third-party beneficiaries under the Covenants, and (5) owners of property subject to the Covenants. The Association and its successors and assigns shall have standing and authority at law or in equity, to carry out and enforce the Covenants or any supplemental declaration made pursuant to the Covenants.

ARTICLE II

ASSOCIATION DUTIES AND OBLIGATIONS, AND LIMITATIONS THEREON

Section 1. The Association shall aggressively strive to carry out and put into effect the Functions and services specified or reasonably implied in the Windmill Harbour Covenants; however, the Functions and services to be carried out or offered by the Association at any particular time shall be determined by the Board of Directors of the Association with due consideration given to the quantum of reserves and revenues available to the Association, and the relative demands upon the resources which the Association can utilize to maintain Common Properties and to increase the use and enjoyment of the Property as a whole. Functions for which the Association "shall" be obligated to perform shall have priority over Functions which the Association "may" perform. The Association shall not be obligated to incur debt or deficits of expenditures over revenues in order to carry out its "shall" or mandatory functions.

Section 2. Limited Liability. The Association and its Directors and Officers shall not be liable to any Property Owner, their Lessees or Guests for any damage or injury which results from any rule or regulation promulgated pursuant to the Covenants in good faith and with reasonable care.

Section 3. New Functions. The Association may perform Functions not set out herein so long as: (1) the Board of Directors specifically finds that such Function will maintain or enhance the economic value or use and enjoyment of the Property; (2) the commitment to provide for such new Function is approved by the Board of Directors of the Association; (3) the commitment to provide for such new Functions is approved by the Members in a Referendum or otherwise by amendment to the Covenants and (4) such new Function is recorded in a supplemental declaration to the Covenants.

Section 4. Ownership of Common Properties. The Association shall be authorized to own, lease or rent Common Properties, including but by no means limited to Open Space and other real property, and also equipment, furnishings and improvements necessary to carry out its Functions pursuant to the Covenants.

Section 5. Acceptance of Properties Donated by Declarant. The Association shall be obligated to accept and assume responsibility for maintaining those lands and facilities described in Section 10-4 of the Covenants which have been conveyed by Declarant to the Association or when the Association purchases said facilities.

Section 6. Ownership or Lease of Land or Facilities not on the Property. The Association may acquire and own land or facilities either located on the Property or elsewhere so long as such land or facilities are necessary to carry out the authorized Functions of the Association which are likely to enhance the Members' use and enjoyment of the Property or the ownership of which are otherwise deemed to be in the best interest of the Association as determined by the Board of Directors.

Section 7. Power to Mortgage and Pledge. The Board of Directors of the Association shall have the power and authority to mortgage the property of the Association and to pledge designated percentages of the revenues of the Association whether from Annual or Special Assessments and whether for single or multiple years, as security for loans made to the Association in performing its authorized Functions.

Section 8. Property Maintenance Function. The Association shall provide for the care, operation, management, maintenance, repair and replacement of all Common Properties.

Section 9. Security Functions. The Association may provide security and fire protection within the Property and provide and maintain a fire and watch system which may include periodic fire prevention inspections and equipment certifications, cable, microwave, telephone or radio-based fire monitoring and television security electronics which do not unreasonably offend the privacy of the Property Owners, Declarant or their residents, guests, employees or invitees.

Section 10. Parking Function. The Association may construct, purchase, lease, landscape, install directional signs on, care for, operate, manage, maintain, repair or replace parking areas to accommodate Property Owners, Lessees and Guests. For these purposes Club Members shall be considered Guests of Property Owners.

Section 11. Vehicular Control and Road Maintenance Function. The Association shall provide reasonable controls over vehicular access to and vehicular traffic within the Property when necessary or desirable for the health, safety or welfare of persons within the Property. Said obligation shall include constructing, operating and maintaining access road control gates restricting vehicular traffic into the Property except for Property Owners, Lessees or their Guests and restricting commercial vehicular traffic into and within the Property. For these purposes Club Members shall be considered Guests of a Property Owner. All Property Owners and Lessees may be required to keep the Association informed of all persons who have overnight accommodations at such Property Owner's or Lessee's property in order to enforce its vehicular access rules and regulations appropriately. To facilitate this and other Functions described herein, the Association may operate directly or through service bureaus, appropriate computerized or other electronic record keeping, automatic data processing and cable transmission systems. The Club shall keep the Association regularly advised of the names and addresses of the Club Members.

The Association may establish any fee or toll for use of roadways belonging to the Association; provided, however, that such fee or toll shall be limited to an amount which, when combined with a portion of the total Annual Assessments, generates sufficient sums to the Association to cover the cost of the operation of every road entry control security station, to repair, rehabilitate, resurface and otherwise maintain said roadways, and to provide otherwise for security reasonably related to use of roads and security risks arising from illegal acts of roadway users on or off the roadways.

In addition, the Association shall have the power to protect the use and enjoyment of the Property by placing reasonable restrictions upon the use of the roadways owned by the Association, including, but not limited to, restrictions on the types, sizes and weights of vehicles using said roads, the maximum and minimum speeds of vehicles using said roads, all other necessary traffic and parking regulations, and the maximum noise levels of vehicles using said roads. The Association may prohibit overnight parking of commercial vehicles (trucks or cars) within the Property. The Association may prohibit excessively noisy vehicles and restrict or prohibit the entry into the property of two (2) wheel vehicles, other than those with engines of one (1) brake horsepower or less. Restrictions on the use of the roads may be more restrictive than the laws of any state or local government having jurisdiction over the Property.

Section 12. Recreation and Festival Function. In order to promote the use and enjoyment of the Property, the Association may provide limited year-round sports, recreation, festival and adult education programs of suitable variety and such miscellaneous equipment as may be necessary therefor.

Section 13. Solid and Organic Waste Collection and Recycling Function. The Association may provide for collection and removal of all solid and organic waste within the Property. Moreover, the Association may cooperate with private and governmental entities to encourage recycling efforts and activities within the Property.

Section 14. Domestic Animal Control Function. The Association shall be obligated to and shall provide regulations, facilities, manpower and funds to enforce pet control in a manner consistent with Section 3-14 of the Covenants, or to exclude pets from Common Properties and other public areas.

Section 15. Environmental Monitoring Function. The Association may monitor air and water quality within the Property including the Harbour Basin to determine environmental trends and to detect violation of local, state and federal pollution laws.

Section 16. Enforcement of Covenants Function.

(a) If any Property Owner fails to maintain the Undeveloped Land, Regime Common Property, any Dwelling Lot, Dwelling Unit, or other Structure or facility within the Property, or fails to perform any acts of maintenance or repair required under the Covenants, the Association, upon reasonable notice given to the Property Owner and after providing a reasonable time for the Property Owner to remedy the violation, may provide grounds and space exterior Structure maintenance and repair upon such site and improvements thereon. In addition, the Association may, without notice, make such emergency repairs and maintenance as may in its judgment be necessary for the safety of any person or to prevent impending damage to any other property. The cost of such exterior maintenance and repair shall be assessed against the Property Owner and shall be a lien on the subject property and an obligation of the Property Owner and shall become due and payable as set forth in Sections 11-10, 13-1 and 13-4 of the Covenants and enforceable as a lien in accordance with Article X of the By-Laws. For the purpose of performing the exterior maintenance authorized by this Section, the Association, through its duly authorized agents or employees shall have the right to enter upon the respective property during reasonable hours on any day except Saturday or Sunday. The Association is given a license or easement over

all the Property to inspect in order to determine whether any repair is necessary under this Section.

(b) Neither the Declarant, the Association, nor any of their directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any land or improvements or portion thereof or to repair or maintain the same. Neither the Declarant, the Association or any other person, firm or corporation undertaking such repairs or maintenance shall be liable for any personal injury or property damage or other incidental or consequential damages occasioned by any non-negligent act or omission in the repair or maintenance of any site, improvements or portion thereof.

(c) Whenever the Association undertakes, pursuant to the Covenants, to correct, repair, clean, preserve, clear out or perform any action on the property or on easement areas adjacent thereto, entering the property and taking such action shall not be a trespass and a license or easement to enter is hereby granted by any Property Owner who takes subject to the Covenants.

(d) The Association shall respond to complaints received as to violations of the Covenants and shall inform the violators of such complaint. If the violation is not expeditiously terminated, the Association may engage legal counsel to bring an appropriate action at law or in equity including any appeals, to enforce the Covenants. After final adjudication, violators shall be obligated to reimburse the Association in full for all its direct and indirect costs including, but not limited to, legal fees and expenses incurred by the Association in maintaining compliance with the Covenants.

(e) The Association may suspend the rights of enjoyment in Common Properties of any Member, or Lessee or Guest for any period during which the payment of any assessment against property owned by such Member remains delinquent, and for any period not to exceed sixty (60) days next following the cessation of any violation for any infraction of its published rules and regulations, provided that any suspension for either nonpayment of any assessment or breach of the rules and regulations of the Association shall not constitute a waiver or discharge of the Member's obligation to pay the assessment or to abide by such rules, and provided further that the Association shall not suspend the right to use the roads belonging to the Association subject to the rules, regulations and fees, if any, established by the Association for such use.

Section 17. Central Identification Function. The Association may provide to Property Owners, Lessees and Guests within the Property a central identification card or vehicle sticker function, which may provide for the issuance of an identification card to Guests, employees who service the Property, Property Owners and Lessees. The Club shall be responsible for assisting its Club Members to facilitate the issuance of vehicle stickers in those instances where a Club Member is not a Property Owner.

Section 18. Insurance Function. In order to protect the financial integrity of the Association so that it may carry out its Functions, the Association shall in its name keep in full force and effect at all times at least the following insurance coverage:

(a) Casually insurance with respect to all Common Properties including all improvements thereon, insuring such facilities for the full replacement value thereof, including coverage for flood, fire and extended coverage (including wind storm), vandalism, malicious mischief and Acts of God; and

(b) Broad form comprehensive liability coverage, covering both public liability and automobile liability, with limits of not less than \$1,000,000 for each person injured

and not less than \$2,000,000 for each occurrence, and with property damage limits of not less than \$200,000 for each accident. The Board in its discretion may provide higher coverage limits in all categories.

All insurance may contain such deductible provisions as good business practice may dictate. If the Board of Directors determines that cost of any coverage appears to be unreasonable, the Board of Directors may recommend that such coverage be waived or modified and, if approved by the Association, it shall be. The proceeds of all casualty insurance shall be applied to the repair or replacement of the damaged or destroyed land, improvements or vegetation. The proceeds of all casualty insurance shall be applied to satisfy the liability. All insurance shall name the Declarant as an additional insured so long as Declarant continues to exist and continues to be a Property Owner. All insurance shall also, to the extent reasonably possible, cover each Property Owner and Lessee with respect to Common Properties without each Property Owner being specifically named. The Association shall provide the Declarant, upon request, with certificates evidencing such insurance and copies of the insurance policies.

Section 19. Reconstruction Function. In the event that any Structures maintained on Common Properties are damaged or destroyed by fire, Act of God or other casualty other than war, the Association shall have the affirmative duty to repair or rebuild such Structure or improvement or to clear such Structure from the land and to landscape the property so as to render it attractive.

Section 20. Resource Protection Functions. Subject to the provision regarding the notice as set forth in Section 8-33 of the Covenants, the Resource Protection Functions of the Association shall be as follows:

(a) **Drainage Control Function.** The Association may promulgate, prescribe and amend from time to time, reasonable standards and regulations for drainage control to minimize the ecological damage which would tend to result from any grading, paving, landscaping, clearing or vegetation, excavation, burning, application or discharge of chemicals and nutrients, construction or demolition activity on the Property.

(b) **Environmental Hazard Function.** The Association may promulgate, prescribe and amend from time to time, reasonable rules and regulations which shall govern activities which may be environmentally hazardous, such as the application or discharge of fertilizers, pesticides and other chemicals.

(c) **Insect, Reptile and Woods Fire Control Function.** To implement effective insect, reptile and woods fire control, the Association or its agents have the right to enter upon any unimproved property (e.g., property on which no building or Structure has been constructed, and upon which no landscaping plan has been implemented) for the purpose of mowing, removing, cleaning, cutting or pruning underbrush, weeds or other growth, removing trash or dispensing pesticides.

(d) **Wildlife Function.** The Property has been developed and is intended to be maintained for the principal purpose of accommodating human uses and is not intended to be nor is to be maintained as a wildlife sanctuary; nonetheless, the Association may undertake reasonable measures to protect or replenish species of wildlife that can be expected to adapt to man's presence on the Property, particularly in Open Space areas, and the Association shall undertake to enforce the prohibitions of Section 3-24 of the Covenants against willful destruction of important species of wildlife that can be expected to adapt to man's presence in the area.

(e) **Hazardous Waste Function.** In addition to the requirements for solid waste management and for disposition and control of hazardous wastes as provided by Pertinent Law, the Association may from time to time establish appropriate, reasonable regulations and controls designed to reduce the likelihood that noxious and hazardous wastes may seep into the

water table or into any lakes, lagoons or ponds which are or may in the future be located on the Property.

Section 21. Architectural, Siting, Vegetation and Building Control Function. The Association shall have the ultimate authority for approvals, decisions and actions made pursuant to Article III of the Covenants. In order to carry out this Function, the Board of Directors of the Association shall appoint on annual terms within thirty (30) days after the Annual Meeting a five (5) or seven (7) member Architectural Review Board, the Members of which shall be Property Owners. All officers of a corporate Property Owner and all adult members of the immediate family of an individual Property Owner, for purposes of this Section, shall be deemed to be Members of the Association to qualify to serve on the Architectural Review Board. For purposes of this Section an officer of the Declarant and an adult member of the immediate family of a Property Owner shall be deemed eligible for service on the Architectural Review Board. The Architectural Review Board shall function as an agent of the Association for the purpose of establishing and enforcing architectural, siting, landscaping, vegetation and building controls in conformity with the Covenants and Pertinent Law. The business of the Association shall be conducted as follows:

(a) **Compensation and Consultants.** The Association may compensate the members of the Architectural Review Board in a manner and to the extent that is deemed prudent, desirable and reasonable in the judgment and discretion of the Board of Directors of the Association, and the Architectural Review Board may engage or contract for such consultant or professional service of architects, landscape architects, engineers, urban designers, inspectors and/or attorneys as may in its judgment be necessary to carry out this Function with the Approval of the Board of Directors.

(b) **Submission, Approval and Refusal of Architecture, Siting, Landscaping and Other Building Plans.** Any Property Owner submitting plans to the Architectural Review Board must insure that the Association's assessments are current on the property for which plan approval is sought since the application for plans reviewed will not be processed on Lots having delinquent Association assessments. Two (2) copies of all plans and related data shall be provided the Architectural Review Board. One (1) copy shall be retained in the records of the Architectural Review Board. The other copy shall be returned to the Property Owner, and both copies shall be marked "approved" or "disapproved" with the signature of the Chairman or Executive Director of the Architectural Review Board. The Architectural Review Board may require payment of a fee based on a schedule of fees approved by the Board of the Association, not to exceed One Thousand and No/100 Dollars (\$1,000.00) plus an adjustment for changes in monetary values as reflected by any standard published price index specified by the Association which fee is expected to partially compensate for the expense of reviewing plans and related data submitted for review, for site inspections, or related matters.

Approvals shall be dated and shall not be effective for construction commenced more than twelve (12) months after such approval. Applicant shall notify the Architectural Review Board of the date of commencement of construction within not more than fourteen (14) days of such commencement. Disapproved plans and related data shall be accompanied by a statement of items found unacceptable and the reasons they are unacceptable. In the event approval of such plans is neither granted nor denied within sixty (60) days following receipt by the Architectural Review Board of written request for approval, the applicant may send a demand for action by certified mail, and if the application is neither granted nor denied within ten (10) days of receipt of such demand, said application shall be deemed to be approved by the Association.

Refusal of approval of plans, locations or specifications may be based by the Architectural Review Board or the Association upon the fulfillment of the objectives of the Covenants, including but not limited to: aesthetic considerations; the harmony and scale, bulk,

coverage, function and density of use of exposed Structure; the effect of the Structure or plans on neighboring properties; the view of the Structure or property from public or private roads; the placement of buffer zones, fences, shrubbery, trees, vegetation, berms and parking spaces; and the desirability of preserving significant trees or other unique vegetation. The architectural review process shall not be conducted in an arbitrary and capricious fashion by, for example, applying substantially different standards than those typically applied by the Board to submissions during the same period of time; nonetheless, any approval of a plan which, when built, is not considered desirable for future construction, shall not be considered as a precedent requiring the Board to approve similar plans on subsequent submissions.

(c) Specific Building Construction Standards and Other Building Standards.

Certain Specific Building Construction Standards (as herein defined) are included in the Covenants to deal with certain specific building types. In addition thereto, the Architectural Review Board and the Association have promulgated standards through Architectural Guidelines making reference to various national building standards, fire safety standards and other building codes which must be followed in architectural designs submitted to the Architectural Review Board. Building standards in the form of Architectural Guidelines shall be published by the Architectural Review Board of the Association and shall be made available to any Property Owner at the Association's cost of publication. Modifications to such building standards may be made by the Architectural Review Board by amending and republishing the Architectural Guidelines. The Specific Building Construction Standards shall be applicable to the Patio, Townhouse and Reef Club type Dwelling Unit approvals, supplemented by the Architectural Guidelines. Except as amended or modified, however, such Architectural Guidelines shall be binding on all Property Owners and each property is deemed to have actual notice of the content and applicability of such Architectural Guidelines. In case of conflict between the Architectural Guidelines and the Covenants, the Covenants shall prevail.

(d) Collection of Compliance Deposit. In addition to all other rights and powers conferred upon the Architectural Review Board by the Covenants and pursuant to its rules of procedure, the Architectural Review Board is expressly authorized to collect the sum of Two Thousand Five Hundred and No/100 Dollars (\$2,500.00) from the Property Owner (which sum may be raised or lowered from time to time, but not waived, by the Board of Directors without amendment of the Covenants) as a condition to the approval of all plans and related data, to insure compliance with the requirement to restore all grassed parkway, street pavement and graded surfaces on adjacent common lands or private property to their original condition and contours, as well as the requirement to complete all landscape work on the subject property according to the plans and specifications approved by the Architectural Review Board within one (1) year after the completion of construction. In addition to the deposit required above, the Architectural Review Board is expressly authorized to collect from either the owner or the building contractor a "contractor's deposit" in the amount of Two Thousand and No/100 Dollars (\$2,000.00) (which sum may be raised or lowered from time to time, but not waived, by the Board of Directors without amendment of the Covenants) at the time the contractor applies for a construction application as required by the Architectural Guidelines. The Contractor's Deposit is intended to insure compliance with the approved plans, for site maintenance and correction of all off-site damage caused by contractor's actions. The posting of this Contractor's Deposit does not, however, relieve the contractor or the Property Owner from compliance to approved plans or from their clean-up responsibilities described herein and in the Architectural Guidelines.

The Association shall establish a separate trust account into which all such compliance deposits shall be deposited and said account shall be administered by the Architectural Review Board. The account may be an interest bearing account and any interest earned thereon shall be used by the Association to partially offset the cost of administering the Architectural Review Board. If the work for which the deposit has been required is not timely

completed, the Architectural Review Board and the Board of Directors shall each have the right to use such amount to contract for and complete such work; provided, however, that should such amount be insufficient to complete such work, the Property Owner shall remain liable therefor, and shall be subject to an action for specific performance by the Board of Directors to compel the completion of such work, in addition to any and all remedies available to the Association and all affected Property Owners pursuant to the Covenants, the Bylaws, at law or in equity.

(e) Approval Not a Guarantee or Representation of Proper Design or Good Workmanship. No approval of plans, location or specifications, and no publication or architectural standards in the Architectural Guidelines by the Architectural Review Board or the Association shall ever be construed as representing or implying that such plans, specifications or standards will, if followed, result in a properly designed residence or that such standards comply with Pertinent Law. Such approvals and standards shall in no event be construed as representing, guaranteeing or implying that any residence will be built in a good workmanlike manner. **NO IMPLIED WARRANTIES OF GOOD WORKMANSHIP, DESIGN, HABITABILITY, QUALITY, FITNESS FOR PURPOSE OR MERCHANTABILITY SHALL ARISE AS A RESULT OF ANY PLANS, SPECIFICATIONS, STANDARDS OR APPROVALS MADE BY THE DECLARANT, THE ASSOCIATION OR THE ARCHITECTURAL REVIEW BOARD, THEIR SUCCESSORS AND ASSIGNS.**

(f) Liabilities for Approvals Granted by the Architectural Review Board or the Association. Neither the Architectural Review Board nor the Association shall be liable to a Property Owner or to any other person on account of any claim, liability, damage or expense suffered or incurred by or threatened against a Property Owner or such other person arising out of or in any way relating to the subject matter of any review, acceptances, inspections, permissions, consents or required approvals which must be obtained from the Architectural Review Board or the Association whether given, granted or denied.

Section 22. Other Utilities Functions. Subject to Pertinent Law and the rights reserved by the Declarant, the Association may regulate the installation of any utilities, including but not limited to water, sewage, power lines, cable television, satellite communications and microwave transmission facilities on the Property.

Section 23. Assessment Function. The Association shall be authorized to collect assessments and fees as prescribed in Article XI of the Covenants.

Section 24. Tax Payment Function. The Association shall pay all ad valorem real estate taxes, special improvement and other assessments, ad valorem personal property taxes and all other taxes, duties, charges, fees and payments required to be made to any governmental or public authority, which shall be imposed, assessed or levied upon, or arise in connection with any Common Properties, and any other real property or any personally owned by the Association.

Section 25. Right to Dispose of Common Properties, Other Real Property and Personality. Subject to the provisions of the Covenants requiring the consent of the Declarant with respect to Properties Donated by Declarant (Section 7-9 and Section 10-4), the Association shall have full power and authority to sell, lease, grant rights in, transfer, encumber, abandon or dispose of any Common Properties, other real property and personality owned by the Association.

Section 26. Governmental Successor. Subject to Pertinent Law and the condition that the Association shall never relinquish its ultimate authority to perform any delegated Function, the Association may convey all or any part of any Common Properties owned by the Association, including lease-hold interests, to any public agency, authority, public service district, utility or private concern for such purposes and subject to such conditions as may be agreed to by the Association. No such gift or sale or determination as to the purposes or as

to the conditions of the transfer shall be effective unless such dedication, transfers and determinations as to purposes and conditions is authorized by Referendum as set forth in Section 9-4. Unless specifically reserved in the deed of conveyance, the transfer of any Common Properties by the Association to third parties will extinguish all licenses and easements of Property Owners in Common Properties so conveyed.

Section 27. Implied Rights and Functions. The Association shall have and may exercise any right or privilege given to it expressly in the Covenants or, except to the extent limited by the terms and provisions of the Covenants, given to it by law, and shall have and may exercise every other right or privilege or power and authority necessary or desirable to fulfill its obligations under the Covenants, including the right to engage necessary labor and acquire use of or purchase necessary property, equipment or facilities; employ personnel necessary to manage the affairs of the Association; obtain and pay for legal, accounting, engineering, architectural and other professional services as may be necessary or desirable; and to perform any Function by, through or under contractual arrangements, licenses or other arrangements with any governmental or private entity as may be necessary or desirable.

Section 28. Indemnification Function. The Association shall be empowered to and shall indemnify Declarant and hold it and its officers, partners, shareholders, directors, agents and employees harmless from all liability, loss, cost, damage and expense, including attorneys' fees, arising with respect to any matter for which the Association agreed to provide indemnification pursuant to that certain Transition Agreement between the Declarant and the Association or with respect to functions which were formerly designated to be performed by the Declarant and are now designated to be performed by the Association.

Section 29. Limited Regulation Function. The Association shall be authorized to and shall have the power to adopt, amend and enforce reasonable rules and regulations applicable within the Property with respect to any Common Property or Function, and to implement the provisions of the Covenants, the Association's Articles of Incorporation and these By-Laws.

Section 30. Charges for Use of Facilities. The Association may establish charges for use of Common Properties to assist the Association in offsetting the costs and expenses of the Association attributable to the Common Property. All charges established shall be reasonable and shall be uniformly applied, except such charges may differentiate among Owners, Lessees or Guests. Each Owner, Lessee and Guest shall be obligated to and shall pay any such reasonable charges for their use of Common Properties.

Section 31. User Charges for Service Functions. The Association may establish reasonable charges for providing any service as required or permitted by the Covenants to be provided to a Property Owner, Lessee or Guest to assist the Association in offsetting the costs and expenses of the Association attributable to providing the service to the user.

Section 32. Annual Reporting Function. The Association shall annually, within ninety (90) days after the closure of the fiscal year of the Association, make available to Property Owners a general itemized statement showing the actual assets and liabilities of the Association at the close of such fiscal year, the Association's revenues, costs and expenses, and the name of any creditor who is owed more than \$1,000. The Association shall furnish to each Member of the Association who makes request therefor in writing a copy of such audit or statement.

Section 33. Notice Function. Notice of all rules and regulations established by the Association shall be made available to Property Owners upon written request. The Association may establish a charge for reproducing and distributing the rules or regulations. Copies of the rules and regulations shall be available for review at the Association offices. In addition, the Association may, but shall not be required, to publish such rules and regulations in a local newspaper or mail the rules and regulations to Property Owners as provided in Sections 9-7, 9-8, 9-9 or 9-10 of the Covenants.

The Association or its agents may not enter upon the lands, realty or facilities of any Property Owner to perform any Resource Protection Function or to install any utility, communications or public convenience facility without providing at least two (2) weeks mail notice to the Property Owner in conformity with Sections 9-7, 9-8, 9-9 or 9-10 of the Covenants.

ARTICLE III MEMBERSHIP AND VOTING PROVISIONS

Section 1. Automatic Memberships. Every Property Owner and the Declarant shall automatically be a member of the Association. The Class "A" and "B" Members as defined in Section 9-2 of the Covenants are sometimes hereinafter collectively referred to as the "Members".

Section 2. Number of Votes. The Association shall have two (2) types of regular voting membership. Members are divided into classes for the sole purpose of computing voting rights and shall in no event vote as a class.

Class "A" Class "A" Members are those Property Owners (including Declarant) of Dwelling Lots, Dwelling Units and Boating Units. A Class "A" Member shall be entitled to one (1) vote for each Dwelling Lot. As long as property qualifies as a Dwelling Lot because improvements have not been constructed thereon, the owner thereof shall have only one (1) vote, but once improvements are constructed and it loses its character as a Dwelling Lot and becomes a Dwelling Unit, the owner shall have two (2) votes for the ownership of such property. Each Class "A" Member shall have one-half (1/2) vote for each Boating Unit he owns. Moreover, in those instances where one (1) or more Dwelling Lots have been consolidated with a contiguous Dwelling Unit, as provided in Section 7-12 of the amended and Restated Covenants, the voting rights of the consolidated Dwelling Lot shall be reduced to one-half (1/2) vote in a manner commensurate with the reduced assessment.

Class "B" - Class "B" members are those Property Owners (including Declarant in its capacity as owner of developed or Improved Property) other than Class "A" Members, such as the owner of the Inn Site or the Sale Center Site, which properties shall be designated as provided in Section 2-1 and 2-2 of the Covenants for Purposes of Land Use Class and assessment quantification purposes. The Owner(s) of the South Carolina Yacht Club shall be a Class "B" Member(s) for assessment and voting purposes.

Beginning in 1995, the South Carolina Yacht Club shall be entitled to eighty-three (83) votes in consideration of the assessment paid pursuant to Section 11-4 of the Covenants. In the event the amount of the South Carolina Yacht Club assessment increases above the base assessment of \$50,000.00, the vote entitlement of the South Carolina Yacht Club shall increase on the same relative basis as other categories of votes increase, if any, as a result of increased assessment amounts. Each other Class "B" member is entitled to one-half (1/2) vote for each Boating Unit equivalent assessments paid in the assessment year beginning in 1995, as specified in Section 11-4 of the Covenants. The dollar amount of such assessment and the resulting vote entitlement in future years shall rise and fall in the same manner as that fixed for Boating Units in future years and shall be based upon the dollar amount of assessment paid in the year prior to the year in which the vote entitlement is determined.

Section 3. Multiple Ownership. When any property entitling any owner to membership as a Class "A" or "B" Member of the Association is owned of record in the name of two (2) or more persons or entities, whether fiduciaries, joint tenants, tenants by the entirety, tenants in common, tenants in partnership or in any other manner of joint or common ownership, or if two (2) or more persons or entities have the fiduciary relationship respecting the same property, then unless the instrument or order appointing them or creating the

tenancy otherwise directs and the instrument or a copy thereof is filed with the Secretary of the Association, their acts with respect to voting shall have the following effect:

- (a) If only one (1) votes in person, by Referendum or by proxy, his act binds all;
- (b) If more than one (1) votes in person, by Referendum or by proxy, the act of a majority so voting binds all;
- (c) If more than one (1) votes in person, by Referendum or by proxy, but the vote is evenly split on any particular matter, each fraction shall be entitled to its proportionate share of the vote or votes;
- (d) If the instrument or order so filed shows that any such tenancy is held in unequal interest, a majority or even split for purposes of this paragraph shall be a majority or even split in interest;
- (e) The principles of this paragraph shall apply, insofar as possible, to execution of proxies, Referenda, waivers, consents, or objections and for the purpose of ascertaining the presence of a quorum.

Section 4. Assignment of Voting Rights. The voting rights of any Property Owner may be revocably assigned to his horizontal property regime president or his lessee who has entered into a lease with a term of one (1) year or more; provided, however, that the Property Owner may not assign to such lessee any vote or votes not attributable to the property actually leased by the lessee; provided, further, that such assignment of voting rights or revocation thereof is in writing and a copy of such assignment of revocation is filed with the Association.

Section 5. Members' Rights to Approve Certain Actions by Referendum: Special Assessments: Amendments of Covenants: Merger of Another Property Owners Association: Matters Specified in By-Laws of Association. The Board of Directors of the Association may, by resolution adopted by a two-thirds favorable vote of the Board, initiate a Referendum in which members of the Association shall collectively have the power to approve or reject:

- (a) Any special assessment recommended by the Directors as provided in Section 11-6 of the Covenants;
- (b) Any merger of the Association with another property owners' association outside of the Property;
- (c) Amendments to the Covenants except that no amendment may impair any right reserved by Declarant, create or increase any liability of Declarant or the Association, alter the Land Use Class of any property retained by Declarant or any property conveyed by Declarant prior to the Referendum unless expressly approved by Declarant;
- (d) Any other fundamental and material actions designated in these By-Laws or the Covenants as actions for which a Referendum must be held; and
- (e) The addition or deletion of Functions or services which the Association is authorized to perform; and
- (f) The sale of any Common Properties or Open Space.

Any Referendum mailing shall include a statement prepared by the Directors of the Association stating the reasons that two-thirds of the Directors are for or against the referendum, together with a statement prepared by the Directors dissenting from such proposed action; provided, however, that neither of such statements may exceed a maximum length of five (5) pages on each proposed action.

Wherever a Referendum is conducted and such referendum shall be deemed "passed" and such action voted upon shall be deemed to be authorized by the Members in the event that sixty (60%) percent or more of the votes actually returned to the Association within the specified time shall be in favor of such action.

In order to be counted, any mail referendum ballots must be returned to the Association within thirty (30) days of the date the ballot was post marked as mailed by the Association to the Members.

No mail referendum shall be effective unless a statement of the results thereof is signed by the President and Secretary of the Association in their representative capacities, the statement is mailed to Property Owners in the manner provided in Sections 9-7 through 9-10 of the Covenants, and said statement is recorded in the name of the Association. Said statement shall include the effective date of the action, the date at which a mailing of the Referendum ballot was made, the total number of votes needed to adopt the action and the total number of votes cast for and against the action. If the action involves an amendment to the Covenants, an Appropriate Addendum shall be executed and Recorded reflecting such Amendment.

No Property Owner may challenge a Referendum if the Association mailed an assessment bill, statement, Referendum Ballot or notice of Referendum to the last address of said Property Owner which is recorded on the books of the Association and for which the Association has not received the Property Owners current address or notice of change of ownership from the Property Owner.

Any notice or Referendum ballot required to be sent to any Member or Property Owner under these provisions or any provision of the Covenants shall be sufficient if mailed with the proper postage affixed to the last known address of the person or entity who appears as owner in the Association's records as established pursuant to Section 9-7 of the Covenants, or if not known, in the public tax or real estate records of Beaufort County, South Carolina on the first day of the calendar year in which said notice is mailed.

Any person who becomes a Property Owner and Member following the first day in the calendar month in which notice or Referendum ballots are mailed is not entitled to additional notice or a Referendum ballot if notice or Referendum ballot was given or mailed to his predecessor in title.

Notice or Referendum ballot to one (1) of two (2) or more co-owners of any unit of property within the Property shall constitute sending of proper notice or Referendum ballot to all co-owners of said unit. Similarly, the sending of notice or a Referendum ballot to a life tenant shall constitute proper notice or Referendum ballot to all remaindermen and holders of other future interest.

Section 6. Quorum Required for Any Action Authorized at Regular or Special Meetings of the Association. Except as provided in Article XV of the Covenants regarding amendments to said Covenants, the quorum required for any action which is subject to a vote of the Members at an open meeting of the Association (as distinguished from a Referendum) shall be as follows:

The first time a meeting of the Members of the Association is called to vote on a particular action proposed to be taken by the Association, the presence at the meeting of Members or proxies entitled to cast fifty-one (51%) percent of the total vote of the membership shall constitute a quorum. If the required quorum is not forthcoming at such meeting, a second meeting may be called subject to the giving of proper notice, and the required quorum at such meeting shall be the presence of Members or proxies entitled to cast twenty-five percent (25%) of the total vote of the Membership of the Association. In the event that the required quorum is not forthcoming at the second meeting, a third meeting may be called, subject to the giving of proper notice, and there shall be no quorum requirement for such third meeting. Unless otherwise provided, any reference herein to "votes cast at a duly called

meeting" shall be construed to be subject to the quorum requirements established by Section 9-5 of the Covenants, and any other requirements for such "duly called meeting" which may be established by these By-laws. For the purpose of this section, "proper notice" shall be deemed to be given when given to each Member not less than fourteen (14) days but not more than forty-five (45) days prior to the date of the meeting at which any proposed action is to be considered.

Section 7. Proxies. All Members may vote and transact business at any meeting of the Association by proxy authorized in writing, provided, however, that proxies shall not be allowed for any action which is subject to a Referendum, in which case the votes of all the Members polled shall be made by ballots provided by the Association and mailed to Members by the Association.

Section 8. Duty of Property Owners to Inform Association of Current Address. Each Property Owner shall have the affirmative duty and obligation to inform the Association in writing of any change of ownership of the Property, the Property Owner's current address, and any failure of the Property Owner to receive any information from the Association.

ARTICLE IV MEETING OF THE MEMBERSHIP

Section 1. Place. All meetings of the Association membership shall be held at the Office of the Association, or at such other place and at such time as shall be designated by the Board of Directors of the Association and stated in the Notice of Meeting, and shall be opened to all Property Owners.

Section 2. Notices. It shall be the duty of the Association's Secretary to mail or deliver a Notice of each annual or special meeting stating the time and place thereof to each Property Owner of record at least fourteen (14), but no more than forty-five (45), days prior to such meeting. Notices of any Special Meetings shall state the purpose thereof. All notices shall be mailed to or served at the address of the Property Owner as it appears on the books of the Association.

Section 3. Annual Meeting. Unless changed by the Board of Directors the Annual Meeting shall be held at 10:00 a.m. Eastern Standard Time, on the last Saturday of March, each year for authorized business to be transacted by the members, provided, however, that if that day is a legal holiday, the meeting shall be held at the same hour on the next secular day following. At the annual meeting, the Property Owners shall elect new members of the Board of Directors in accordance with Article V, Section 1 hereof and shall transact such other business as may properly be brought before the meeting.

Section 4. Special Meetings. Special meetings of the Property owners for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or Board of Directors of the Association and shall be called by the President or Secretary of the Association at the request, in writing, of Property Owners owning twenty-five (25%) percent or more of the interests in the Property, which request shall state the purpose or purposes of the proposed meeting. Business transacted at all special meetings shall be confined to the subjects stated in the Notice thereof.

Section 5. Waiver and Consent. Whenever the vote of Property Owners at a meeting is required or permitted by any provision of these By-Laws to be taken in connection with any action of the Association, the meeting and vote of Property Owners may be waived if a majority of Property Owners who would have been entitled to vote on the action if such meeting were held, shall consent in writing to such action being taken, provided, however, Notice of such action shall be given to all Property Owners, unless all Property Owners participated in the approval of such action.

Section 6. Adjourned Meeting. If any meeting of Property Owners cannot be organized because a quorum does not exist, then the meeting may be adjourned from time to time until a quorum does exist.

Section 7. Approval or Disapproval. Approval or disapproval of a Property Owner upon any matter, whether or not the subject of an Association meeting, shall be by the voting Members; provided, however, that where property is owned jointly by a husband and wife, their voting rights shall be governed by Article III, Section 3, above.

Section 8. The Management Firm. The management firm, as long as any management agreement remains in effect, shall be entitled to notice of all Association meetings and shall be entitled to attend the Association's meetings and it may designate such person(s) as it desires to attend such meetings on its behalf.

ARTICLE V DIRECTORS

Section 1. Board of Directors. The Association shall be governed by a Board of Directors consisting of five (5), seven (7) or nine (9) members. Initially, the Board shall consist of five (5) members, with the number in subsequent years to be determined by the members of the Board of Directors. All Directors, except officers of the Windmill Harbour Company, must be members of the Association. All officers of a corporate Property Owner and all adult members of the immediate family of an individual Property Owner, solely for the purpose of this paragraph, shall be deemed to be members of the Association so as to qualify as a Director herein. Each Member of each Membership Class shall be entitled to one vote for a person to fill each open seat for a Member of the Board of Directors, but shall not be permitted to "cumulative vote" as that term is generally used in corporate terminology. The Association recognizes that continuity of experience is a necessity in running an enterprise of this magnitude and wishes to adopt a staggered three-year term so that as nearly as possible one-third of the Board of Directors is replaced each year. Accordingly, commencing with the Annual Meeting in 1993 terms of office for Directors of the present seven man board shall be fixed as follows based upon the number of votes received in the election:

Seven Member Board	Three members for Three (3) years Two members for Two (2) years Two members for One (1) year
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At the expiration of the initial term of office of each Director, his successor shall be elected to serve a term of three years. The Directors shall hold office until their successors have been elected and hold their first meeting. In the event that Board size is changed as nearly as possible to one-third of the Directors shall be elected each year - Five member Board (2,2,1); Nine member Board (3,3,3)

Section 2. Removal of Directors. Any one or more of the directors may be removed, with or without cause, by the affirmative vote of at least eighty (80%) percent of the members in the Association entitled to vote, and a successor may then and there be elected to fill the vacancy thus created. Should the Association fail to elect said successor, the Board of Directors may fill the vacancy in the manner provided in Article V, Section 3 below. Any director missing two (2) consecutive regular Board meetings shall automatically be disqualified to serve as a Board member.

Section 3. Vacancies on Directorats. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, a majority of the remaining members of the Board of Directors, though less than a quorum, as defined in Article V, Section 8 below, shall choose a successor or successors, who shall hold office for the balance of the unexpired term in respect to which such vacancy occurred.

Section 4. Disqualification and Resignation of Directors. Any director may resign at any time by sending a written notice of such resignation to the office of the Association, delivered to the Secretary. Unless otherwise specified therein; such resignation shall take effect upon mailing. The transfer of title to all of his Property by a director shall automatically constitute a resignation, effective when such title is transferred. No

Director shall continue to serve on the Board of Directors should he be more than sixty (60) days delinquent in the payment as a Property Owner of any assessment against his Property; and said delinquency shall automatically constitute a tender of resignation, effective when such resignation is accepted by the Board of Directors.

Section 5. Regular Meetings. The Board of Directors may establish a schedule of regular meetings to be held at such time and place as the Board of Directors may designate. Notice of such regular meetings shall nevertheless be two (2) days prior to the day named for such meeting. All meetings of the Board of Directors, including special meetings in accordance with Section 6 below, shall be open to all Property Owners.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by the President, and in his absence, by the Vice-President, or by a majority of the members of the Board of Directors, by giving twenty-four (24) hours notice to all of the members of the Board of Directors of the time and place of said meeting. All notices of special meetings shall state the purpose of the meeting.

Section 7. Directors' Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may waive notice of such meeting and such waiver shall be deemed equivalent to the giving of notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 8. Quorum. At all meetings of the Board of Directors, a majority of the members of the Board of Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the members of the Board of Directors present at such meetings at which a quorum is present, shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At each such adjourned meeting, any business which might have been transacted at the meeting, as originally called, may be transacted without further notice. The joinder of a Director in the action of meeting by signing and concurring in the Minutes thereof, shall constitute the presence of such Director for the purpose of determining a quorum.

Section 9. Compensation. Directors' fees, if any, shall be determined by the voting members of the Association.

Section 10. Powers and Duties. The Board of Directors of the Association shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by the Windmill Harbour Covenants or by this Association's Articles of Incorporation or ByLaws, directed to be exercised and done by Property Owners. These powers shall specifically include, but shall not be limited to, the following:

- (a) To exercise all powers specifically set forth in the Windmill Harbour Covenants, in this Association's Articles of Incorporation, in these By-Laws, and all powers incidental thereto.
- (b) To set and levy assessments, collect said assessments, and use and expend the assessments to carry out the purposes and powers of the Association.
- (c) To employ, dismiss and control the personnel necessary for the maintenance and operation of the Property and of the Common Properties including the right and power to employ attorneys, accountants, contractors and other professionals as the need arises.
- (d) To make and amend rules and regulations respecting the operation and use of the Common Properties.

(e) To contract for the management of the Property and to delegate to such contractor all of the powers and duties of the Association, except those which may be required by the Covenants or these By-Laws to have approval of the Board of Directors or Property Owners. To contract for the management and operation of all or portions of the Common Properties.

(f) To designate one or more committees which, to the extent provided in the resolution designating said committee, shall have the power of the Board of Directors in the management and affairs and business of the Association. Such committee or committees shall have such name or names as may be determined from time to time by the Board of Directors, and said committee(s) shall keep regular minutes of their proceedings and report the same to the Board of Directors, as required. The foregoing powers shall be exercised by the Board of Directors or its contractor or employees, subject to approval by Property Owners only when such is specifically required.

Section 11. Fidelity Bonds. The Board may require that any and all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Association.

Section 12. Liability of the Board of Directors. The members of the Board of Directors shall not be liable to the Property Owners or the Association, except for their own individual willful misconduct. As provided in Article VIII, the Association shall indemnify and hold harmless each of the members of the Board of Directors against all contractual liabilities to others arising out of contracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith. It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. It is understood and permissible and shall not be deemed to be self dealing for the Association to contract with corporations owned or controlled by or affiliated with Windmill Harbour Company even if such corporations have common directors or officers.

Section 13. The Management Firm. The management firm, as long as any management agreement remains in effect, shall be entitled to notice of all Directors' Meetings and shall be entitled to attend the Directors' Meetings and it may designate such person(s) as it desires to attend such meetings on its behalf.

ARTICLE VI OFFICERS

Section 1. Elective Officers. The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of which shall be elected by the Board of Directors.

One person may hold more than one of the aforementioned offices. The President and Vice President shall be members of the Board of Directors.

Section 2. Election. The officers of the Association designated in Section 1 above shall be elected every year by the Board of Directors at the organizational meeting of each new Board following the meeting of the Members.

Section 3. Appointive Officers. The Board of Directors may appoint Assistant Secretaries and Assistant Treasurers and such other officers as the Board of Directors deems necessary.

Section 4. Term. The officers of the Association shall hold office until their successors are chosen and assume office in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time, with or without cause, by the Board of Directors; provided, however, that no officer shall

be removed except by the affirmative vote for removal by a majority of the whole Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

Section 5. The President. The President shall be the chief executive officer of the Association; he shall preside at all meetings of the Property Owners. He shall have the executive powers and general supervision over the affairs of the Association and other officers. The president shall sign all written contracts, and perform all of the duties incident to his office which may be delegated to him from time to time by the Board of Directors.

Section 6. The Vice President. The Vice President shall perform all of the duties of the President in his absence, and such other duties as may be required of him from time to time by the Board of Directors of the Association.

Section 7. The Secretary. The Secretary shall issue notices of all Board of Directors meetings and all meetings of the Property Owners and shall attend and keep the minutes of same. The Secretary shall have charge of all of the Association's books, records and papers, except those kept by the Treasurer. The Assistant Secretary shall perform the duties of the Secretary when the Secretary is absent.

Section 8. The Treasurer.

(a) The Treasurer shall have custody of the Association's funds and securities, except the funds payable to any management firm, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association, and shall deposit all monies and other valuable effects in the name of and to the credit of the Association, in such depositories as may be designated from time to time by the Board of Directors.

(b) The Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors in accordance with these By-Laws, making proper vouchers for such disbursements, and shall render to the President and Board of Directors at the regular meetings of the Board of Directors, or whenever they may require it, an account of all of his transactions as the Treasurer and of the financial condition of the Association.

(c) The Treasurer shall collect the assessments and maintenance fees and shall promptly report the status of collections and of all delinquencies to the Board of Directors.

(d) The Treasurer shall give status reports to potential transferees on which reports the transferees may rely.

(e) The Assistant Treasurer shall perform the duties of the Treasurer when the Treasurer is absent.

(f) The duties of the Treasurer may be fulfilled by a management firm employed by the Association, in which event such management firm shall have custody of the books of the Association as it determines is necessary for the performance of such treasurer duties and the foregoing may include any books and minutes required to be kept by the Secretary of the Association.

Section 9. Liability of Officers. The officers of the Association shall not be liable to any Property Owner or the Association for any mistake of judgment, negligence, or otherwise, except for their own wilful misconduct. Nor shall the officers of the Association be liable to any Property Owners, their lessees and guests for any damage or injury which results from any rule or regulation promulgated by the Association.

ARTICLE VII
AMENDMENTS TO THE BY-LAWS

The By-Laws may be altered, amended or added to at any duly called meeting of the Property Owners or by Referendum, subject to the quorum provisions relating to meeting of the Members hereafter set forth. All proposed amendments of these By-Laws shall be submitted to a vote of the Members at a duly called meeting of the Association or by Referendum, and any such proposed amendment shall be deemed approved if three-fourths (3/4) of the votes cast or returned (in the case of the Referendum) are in favor of the amendment. If any proposed amendment of these By-Laws is approved by the Members as set forth above, the President and Secretary of the Association shall execute an addendum to these By-Laws, which shall set forth the amendment, the effective date of the amendment, the date of the meeting of the Association or Referendum at which such amendment was adopted, the date that notice of such meeting was given, the total number of votes of Members of the Association, the number of votes required to constitute a quorum at such meeting of the Association, if applicable, the total number of votes necessary to adopt the amendment, the total number of votes cast in favor of such amendment and the total number of votes cast against the amendment. Such addendum shall be recorded in the R.M.C. Office.

The quorum required for any action authorized to be taken by the Association under this Article when such action is taken at a meeting of the Members shall be as follows: The first time any meeting of the Members of the Association is called to take action under this Article, the presence at the meeting of the Members or proxies entitled to cast seventy-five percent (75%) of the total vote of the Membership shall constitute a quorum. If the required quorum is not forthcoming at any such meeting, a second meeting may be called, subject to the giving of proper notice, and the required quorum at such subsequent meeting shall be the presence of members or proxies entitled to cast fifty-one percent (51%) of the total vote of the Association.

ARTICLE VIII
INDEMNIFICATIONS

The Association and Property Owners shall indemnify every Director and every officer, his heirs, executors, and administrators, against all losses, costs and expenses reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a Director or Officer of the Association, except as to matters wherein he shall be finally adjudged in such action, suit or proceeding, to be liable for or guilty of gross negligence or willful misconduct. The foregoing rights shall be in addition to and not exclusive of all other rights to which such Director or Officer may be entitled. The Association may purchase and maintain insurance on behalf of any such person or persons whether or not the Association would have the power to indemnify him against liability under the provisions of these Bylaws. Such indemnification shall include all costs of defense, including attorney's fees actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Association, including amounts paid or incurred in connection with reasonable settlements made with a view of curtailment of costs of litigation and with the approval of a majority of the members of the Board of Directors.

ARTICLE IX
LIABILITY SURVIVES TERMINATION OF MEMBERSHIP

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

ARTICLE X
PARLIAMENTARY RULES

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

ARTICLE XI
LIENS

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

Section 2. Notice of Lien. A Property Owner shall give Notice to the Association of every lien upon his Property, other than for mortgages, taxes and special assessments within five (5) days after the attaching of the lien.

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

Section 4. Liens for Unpaid Assessments. The Association shall have a lien for all unpaid assessments and obligations pursuant to Section 11-9 of the Covenants, which lien shall attach to that certain Dwelling Lot, Dwelling Unit, Boating Unit, Inn Site, Sales Center Site or Club Property for which the assessments are delinquent and such lien shall be prior to all other liens except (i) tax liens in favor of any assessing unit, and (ii) mortgage and other duly recorded liens encumbering the property. The remedies for non-payment of assessment, as it relates to the Club or the Club Property, shall only apply to Annual Assessments, but shall not apply to Special Assessments since the Club is not liable for Special Assessments.

Section 5. Foreclosure of Liens for Unpaid Assessments. The lien of the Association for unpaid assessments may be foreclosed by suit by the management agent or the Board of Directors acting on behalf of the Association in like manner as a mortgage of real property. In any such foreclosure, the subject Property Owner shall be required to pay a reasonable rental for the subject property after commencement of the foreclosure action and the plaintiff in such action shall be entitled to appointment of a receiver to collect such rents, which receiver shall not be required to post any bond or make any accounting except upon the written request of the Board of Directors. The Board of Directors shall have the power to bid on the Dwelling Lot, Dwelling Unit, Boating Unit or other property at the foreclosure sale and to acquire and hold, lease, mortgage and convey same.

Section 6. Alternative to Lien Foreclosure. Suit against the Property Owners to recover a money judgment for unpaid common expenses may be maintained without instituting foreclosure proceedings.

Section 7. Liability of Purchaser at Foreclosure Sale for Unpaid Assessments Accruing Prior to Sale. Whether the mortgagee of any mortgage of record or other purchaser of an Dwelling Lot, Dwelling Unit, Boating Unit or other property obtains title at the foreclosure sale of such a mortgage, such acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to the subject property after the date of recording such mortgage but prior to the acquisition of title to such property by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the Windmill Harbour Property Owners, including such acquirer, his successors and assigns, but in no event shall this relieve the Property Owner who was foreclosed from such unpaid share of assessments.

**ARTICLE XII
MANAGEMENT AGREEMENT**

Section 1. Generally. The Board of Directors shall be authorized to enter into a management agreement for the management of the Common Properties. The Association has the power to delegate to the management firm the power of the Association, through its Board of Directors, to determine a budget, make assessments for common expenses and collect assessments. Each Property Owner shall be bound by said management agreement for the purposes therein expressed including, but not limited to:

(a) Adopting, ratifying, confirming and consenting to the execution of the management agreement by the Association;

(b) Covenanting and promising to perform each and every one of the Covenants, promises and undertakings to be performed by the Property Owners in the cases provided therefor in the management agreement;

(c) Ratifying, confirming and approving each and every provision of the management agreement and acknowledging that all terms and provisions thereof are reasonable;

(d) Agreeing that persons acting as directors and officers of the Association entering into any such management agreement have not breached their duties or obligations to the Association;

(e) It is specifically recognized that some or all of the persons comprising the Board of Directors of the Association are or may be stockholders, officers and directors of the management firm and that such circumstances shall not and cannot be construed or considered a breach of their duties and obligations to the Association nor are they possible grounds to invalidate the management agreement or to proceed against the management firm for damages based on any theory, conflict of interest or otherwise;

(f) The acts of the Board of Directors and Officers of the Association in entering into the management agreement shall be and are hereby ratified, approved, confirmed and adopted.

**ARTICLE XIII
ASSESSMENTS AND OTHER CHARGES**

Section 1. Levying Assessments and Other Charges. It shall be the duty of the Association, through its Board of Directors, to levy assessments in accordance with Article XI of the Covenants.

Section 2. Collection of Assessments. It shall be the duty of the Association to collect all lawful assessments and other charges imposed on Property Owners pursuant to Article XI of the Covenants. In accordance with Section 11-8 of the Covenants, any assessment year shall run from January 1 to December 31 and all property shall be assessed according to its character as of January 1 of the assessment year. For any assessment year, each Property Owner shall pay all annual assessments due on said property periodically (i.e., quarterly, etc., in advance) if so billed by the Association or by January 31 of the following year, if not billed periodically during the assessment year. The Association may elect to offer Property Owners a discount not to exceed five (5%) percent for payment of annual assessments within thirty (30) days after the initial billing each year.

For purposes of these By-Laws, "periodically" shall mean either monthly, quarterly or annually. And, for every year during which assessments are billed periodically as defined above, said assessments shall be paid no later than thirty (30) days from the date of billing and shall be deemed delinquent if not paid within said

thirty (30) day period and the Association shall, if not paid within sixty (60) days thereof, file a Notice and Certificate of Lien and if not paid within ninety (90) days thereof, take enforcement action to foreclose said lien in accordance with the Covenants and Article X of these By-Laws.

IN WITNESS WHEREOF, the foregoing was adopted as the By-Laws of the Windmill Harbour Association, Inc., to be effective as of the effective date of the Amended and Restated Windmill Harbour Covenants to which these by-Laws are appended.

WINDMILL HARBOUR ASSOCIATION, INC.

By: 
Its: Authorized Officer

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FILED
JOHN A. SULLIVAN, JR.
R.M.C.
BEAUFORT COUNTY, S.C. / *MAC*
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