

**EXHIBIT "C"**

**BYLAWS**

**OF**

**ARBORWOOD/WILLOWS HOME OWNERS' ASSOCIATION, INC.**

**ARTICLE I**  
**IDENTITY**

The following Bylaws shall govern the operation of Arborwood/Willows Home Owners' Association, Inc.

Section 1.01. Name. The name of the corporation is Arborwood/Willows Home Owners' Association, Inc., a non-profit corporation (hereinafter referred to as the "Association") organized and existing under the laws of the State of South Carolina.

Section 1.02. Offices of the Association. The offices of the Association shall be at 70 Pennington Drive, Suite 16, Bluffton, SC 29910, or at such other place as may be subsequently designated by the Board of Directors of the Association with a mailing address of P.O. Box 22748, Hilton Head Island, South Carolina 29925.

**ARTICLE II**  
**DEFINITIONS**

Section 2.01. General. All terms used herein and not otherwise defined shall have the meaning ascribed to them in that certain Declaration of Covenants, Conditions and Restrictions for Arborwood (and The Willows and Provisions for Arborwood/Willows Home Owners' Association, Inc.) executed by Craftbuilt Homes, LLC (hereinafter referred to as the "Company") dated May 25, 2004, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina on 5-25, 2004 in Book 1963 at Page 375 et seq. (hereinafter referred to as the "Declaration"), certain provisions of which Declaration may be repeated in full or in part and may be renumbered as they appear.

**ARTICLE III**  
**MEMBERSHIP AND VOTING PROVISIONS**

Section 3.01. Membership. The Company, and every person and entity, who is a record owner of a fee simple or undivided fee simple interest in any Lot or Homesite which is subject to the Declaration, shall be a Member of the Association (subject to the provisions relating to multiple or joint Ownership set forth in Section 3.02); provided, however, that any such person or entity holding such title or interest merely as a security for performance of an obligation shall not be a Member of the Association. gc

Section 3.02. Voting Rights. The Association shall have two (2) types of regular voting memberships:

(a) Class "A" Membership. Class "A" Members shall include all of those Members as described in Article IV, Sections 4.2 and 4.3(a) of the Declaration, including the Company. A Class "A" Member shall be entitled to one (1) vote for each Lot or Homesite which he owns subject to the following restrictions:

(i) if any two or more Homesite or Lots shall be consolidated into one Lot or Homesite, the Owner of such Lot or Homesite shall be entitled to only one vote for such resulting consolidated Lot or Homesite owned by such Member and the Total Class "A" votes within the Property shall be reduced accordingly;

(ii) when more than one person is a Class "A" Member by virtue of an Ownership interest in the same Homesite or Lot, the vote for such Homesite or Lot shall be exercised as they among themselves determine, but in no event, shall more than one vote be cast with respect to any one Homesite or Lot. In the event of disagreement among such co-owners, in an attempt by two or more to cast the vote of such Homesite or Lot, such co-owners shall not be recognized and the vote of such Homesite or Lot shall not be counted. The membership of Class "A" Members shall terminate automatically upon the Member's sale of his Homesite or Lot. However, no termination of Class "A" membership shall effect such Member's obligation to pay assessments, fines or penalties as hereinafter provided for, due and payable for any period prior to the date of termination, and there shall be no refund for assessments paid for periods falling after the date of such termination.

(b) Class "B" Membership. Class "B" Members shall be Declarant and any successors or assign of Declarant's rights hereunder. In addition to any Class "A" voting rights of Declarant hereunder this Section 3.02, Declarant shall have one (1) vote for each outstanding Class "A" vote held by any other person or entity within the Property. The Class "B" membership and voting privileges shall cease and terminate for Declarant as provided in Article IV, Section 4.3(b) of the Declaration.

Section 3.03. Members to Have Power of Referendum in Certain Instances. After cessation and termination of the Class "B" membership and voting privileges and where specifically provided for herein or in the Declaration, the Members, or some specific portion of the total membership, shall have the power to approve or reject certain actions proposed to be taken by the Association by a special referendum ("Referendum"), excluding the levy by the Association of any Special Assessment which may not be approved or rejected by Referendum. To constitute a quorum, the number of votes received by the Association must equal or exceed the quorum which would be required to be present at a meeting authorizing the action. The solicitations for vote shall include i) the number of responses needed to meet the quorum requirements; ii) the percentage of approvals necessary to approve each matter; and iii) specify the time by which a ballot must be received by the Association to be counted. In the event the quorum requirement is met and fifty-one percent (51%) or more of the votes actually returned to the Association within the specified time shall be in favor of such action, the Referendum shall be deemed to "pass" and the action voted upon will be deemed to have been authorized by the

of

Members; provided, however, that if a higher percentage vote required to "pass" shall be specifically expressed herein, the higher percentage shall control in that instance. The Board of Directors may not undertake any action requiring a Referendum without complying with the provisions herein.


In the event of a dispute as to whether a Referendum is required, the following action may be taken:

Within thirty (30) days after the adoption by the Directors of any action which is, in the opinion of the Members, subject to a Referendum, a petition signed by not less than twenty-five percent (25%) of the total membership of the Association may be filed with the Secretary of the Association requesting that any such action be either repealed or submitted to a vote of the Members.

Section 3.04. Quorum Required for Any Action Authorized at Regular or Special Meetings of the Association. The quorum required for any action which is subject to a vote of the Members at an open meeting of the Association (as distinguished from the 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 percent (51%) of the total vote of the Class "A" membership and, until the Class "B" membership terminates as provided for in the Declaration, the presence of one hundred percent (100%) of the total vote of the Class "B" membership shall constitute a quorum. If the required quorum is not forthcoming at any such meeting, the meeting shall be adjourned and a second meeting shall be called to be held on a date not less than ten (10) days nor more than thirty (30) days subsequent to the initial meeting subject to the giving of proper notice under the provisions of Article IV, Section 4.04. The required quorum at such meeting shall be the presence of twenty-five percent (25%) of the total vote of the Class "A" membership, in person or by proxies, and, until the Class "B" membership terminates as provided for herein, the presence of all Class "B" Members. In the event 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 hereafter to "votes cast at a duly called meeting" shall be construed to be subject to the quorum requirements established by this Section 3.04, and any other requirements for such duly called meeting.

Section 3.05. Proxies. Votes may be cast in person or by proxy. 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 permitted for any action which is subject to a Referendum, in which case the votes of all the Members polled shall be made by specifically provided ballots which shall be marked, signed and mailed to the Association.

Section 3.06. Majority Vote. At a meeting at which a quorum is present, the vote of a majority of the Members present at the meeting, who are entitled to vote, shall be binding upon all Owners and Members for all purposes except where in the Declaration or in these Bylaws, or by law, a higher percentage is required. 

**ARTICLE IV**  
**MEETINGS OF THE MEMBERSHIP**

Section 4.01. Place. All meetings, annual and special, of the Association membership shall be held at the offices of the Association, or at such other place and at such time as shall be designated by the Board of Directors of the Association and stated in the Notice of Meeting, and shall be open to all Owners and Members.

Section 4.02. Record Date. The Board of Directors shall fix a record date for determining Members entitled to notice of and Members entitled to vote at each annual or special meeting. Such record date shall be at least ten (10) but not more than forty (40) days before the meeting.

Section 4.03. Membership List. After a record date for a notice of a meeting has been fixed by the Board of Directors, a complete list of Members of the Association shall be prepared by the Secretary. This membership list shall list the Members by classification of membership and shall include the addresses and number of votes each Member is entitled to vote at the meeting. Such list shall be maintained in the office of the Association beginning the date after notice is given of the meeting for which the list was prepared and continuing through the meeting.

Section 4.04. Notices. Except as otherwise provided in the Declaration or these Bylaws, written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized or qualified to call the meeting, by mailing a copy of such notice, with proper postage affixed, at least fourteen (14) days but not more than thirty (30) days before such meeting to each Member entitled to vote thereat, to the last known address of the person or entity who appears as Owner of record of each Homesite or Lot on the first day of the calendar month in which said notice is mailed. Notice to one (1) of two (2) or more co-owners of a Homesite or Lot shall constitute notice to all co-owners. It shall be the obligation of every Member and Owner to immediately notify the Secretary of the Association in writing of any change of address. Any person who becomes the Owner or Member following the first day in the calendar month in which said notice is mailed shall be deemed to have been given notice if notice was given to his predecessor-in-title. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Evidence of such notice having been given may consist of an Affidavit of Mailing, executed by the Secretary or such person authorized or qualified to call a meeting and mail a copy of notice of such meeting, evidencing that the requisite notice was posted at least fourteen (14) days prior to such meeting.

Section 4.05. Quorum. The presence at the meeting of Members entitled to cast, or the proxies entitled to cast, fifty-one percent (51%) of the total vote of the Class "A" membership and, until the Class "B" membership terminates as provided for herein, the presence of one hundred percent (100%) of the total vote of the Class "B" membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws as more fully described in Section 3.04 hereinabove.

Section 4.06. Annual Meeting. The annual meeting shall be held on the 1<sup>st</sup> Friday of December each year, or such other date and time as the Board of Directors may determine, for the purpose of electing Directors and transacting any other business authorized 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 Members shall elect new Members of the Board of Directors by plurality vote and in accordance with Article V of these Bylaws, and shall transact such other business as may properly be brought before the meeting.

Section 4.07. Special Meetings. Special meetings of the Members for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President of the Association and shall be called by the President or Secretary of the Association at the request, in writing, of Members owning five percent (5%) or more of the interests in the Property or until the Class "B" membership terminates, by the Company, its successors or assigns, 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 4.08. Waiver and Consent. Whenever the vote of Members at a meeting is required or permitted by any provision of these Bylaws or the Declaration to be taken in connection with any action of the Association, the meeting and vote of Members may be waived if a majority of Members who would have been entitled to vote on the action if such meeting were held, shall consent in writing to such action being taken; however, notice of such action shall be given to all Members, unless all Members participated in the approval of such action.

Section 4.09. Adjourned Meetings. If any meeting of the Members cannot be organized or convened because a quorum does not exist, then the Members entitled to vote thereat or the persons initially calling the meeting shall have the power to adjourn the meeting and to call a second meeting not less than ten (10) nor more than thirty (30) days subsequent to the initial meeting subject to the giving of proper notice. The required quorum at such second meeting shall be the presence of Members or proxies entitled to cast twenty-five percent (25%) of the total vote of the Class "A" membership of the Association and, until the Class "B" membership terminates as provided for herein, the presence of one hundred percent (100%) of the Class "B" membership. In the event the required quorum is not forthcoming at the second meeting, a third meeting may be called in the same manner as the second meeting subject to the giving of proper notice and there shall be no quorum requirement for such third meeting. This provision shall not apply when the proposed action is the amendment of the Declaration and the quorum requirement established by Article X, Section 9.2 of said Declaration shall govern in that instance.

Section 4.10. Books and Records. The books, records and papers of the Association shall, at all times, during reasonable business hours, be subject to inspection by any Owner or Member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Owner or Member at the principal office of the Association, where copies may be purchased at a reasonable cost.

## ARTICLE V DIRECTORS

Section 5.01. Composition of the Board of Directors. The Association shall be governed by a Board of Directors consisting of three (3), five (5), seven (7) or nine (9) members. Initially, the Board shall consist of three (3) members appointed by the Company, with the



number in subsequent years to be determined by the members of the Board of Directors as provided for in these Bylaws or the Declaration by the Association. In no event shall the Board consist of less than three (3) members.

Section 5.02. Qualifications and Selection of Board Members. Until such time as the Company's rights to appoint and remove the members of the Board terminates as provided for in Article IV, Section 4.10 of the Declaration, the Company shall be entitled to appoint all of the members of the Board of Directors, who need not be Members of the Association or Owners of record of any Homesite and/or Lot. Thereafter, all members of the Board of Directors elected by the membership must be Members or spouses of Members of the Association. All officers of a corporate Owner, for purposes of this Section 5.02, shall be deemed to be Members of the Association so as to qualify to serve as a Director herein.

Section 5.03. Term of Office. The initial members of the Board of Directors shall be appointed by the Company and shall serve as members of the Board of Directors until either removed by the Company or until the Company's rights to appoint and remove Board Members terminate as provided for in the Declaration. Thereafter, at the first election of Directors by the membership, the Members shall elect two (2) Directors for a term of one (1) year, two (2) Directors for a term of two (2) years, and one (1) Director for a term of three (3) years; and at each annual meeting thereafter the Members shall elect Directors to fill the expiring terms for a term of three (3) years. In the event the Board is expanded as permitted by these Bylaws, the terms of new members of the Board shall be staggered in a similar fashion as directed by the Board. The members of the Board shall hold office until their successors have been elected and hold their first meeting. Any and all of said Board members shall be subject to replacement, in the event of resignation or death, in the manner set forth in Section 5.05 of this Article.

Section 5.04. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association at a meeting called for the purpose of removing the Directors, provided the notice of the meeting stated that this was the purpose, or one of the purposes, of the meeting. A successor may then and there be elected to fill the vacancy thus created. Should the Association fail to elect a successor, the Board of Directors may fill the vacancy in the manner provided in Section 5.05 below.

Section 5.05. Vacancies on Directorate. If the office of any Director or Directors elected by the Members 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 Section 5.13 below, shall choose a successor or successors, who shall hold office for the balance of the unexpired term in respect to which such vacancy may be held at any regular or special meeting of the Board of Directors.

Section 5.06. Disqualification and Resignation of Directors. Any Director may resign at any time by sending a written notice of such resignation to the office of the Association, delivered to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Secretary. Commencing with the first Board of Directors elected after the termination of the Company's right to appoint Directors as provided in Section 4.10 of the Declaration, the transfer of title of his Homesite or Lot by a Director shall automatically constitute a resignation, effective when such resignation is accepted by the Board of Directors.

No Director shall continue to serve on the Board of Directors should he be more than thirty (30) days delinquent in the payment as an Owner of any assessment against his Homesite or Lot; and said delinquency shall automatically constitute a resignation, effective when such resignation is accepted by the Board of Directors.

Section 5.07. Nomination. Nomination of the Members for the initial Board of Directors to be elected by the Members shall be made by the Company. Thereafter, nomination for election to the Board of Directors by the Members shall be made by a Nominating Committee. Nominations may also be made by a petition of not less than ten (10) Members in good standing submitting such nomination in writing to any officer or Director at least forty-eight (48) hours prior to the date and time set for the meeting at which the Directors will be elected. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association who need not be members of the Board of Directors. The Nominating Committee shall be appointed by the Board of Directors at each annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made only from among Members except as provided in Section 5.02 and shall be made in such categories of Directorship as required by the provisions of Section 5.03 of these Bylaws.

Section 5.08. Election of Directors. Subsequent to the termination of the appointment and removal rights of the Company with respect to the Board of Directors, election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration and these Bylaws. The persons receiving the largest number of votes for each category of Directorship shall be elected. There shall be no cumulative voting.

Section 5.09. 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 given to each Director personally or by first-class mail, telephone or telegraph at least five (5) days prior to the day named for such meeting. All meetings of the Board of Directors, including special meetings, shall be open to all Owners and Members but such Owners and Members may not participate in any discussion or deliberation unless permission to speak is requested on their behalf by a director. In such case, the President may limit the time any such individual may speak. Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

Section 5.10. 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 five (5) days notice, in writing, to all of the members of the Board of Directors of the time and place of said meeting. All notices of special meetings shall state the purpose or purposes of the meeting.



Section 5.11. Action Without a Meeting. Actions required or permitted by law, the Articles, the Declaration or these Bylaws, may be taken without a meeting if the action is taken by all members of the Board and evidenced by one or more consents describing the action taken, signed by each Director, and included in the Minutes filed in the Corporate Records reflecting the action taken.

Section 5.12. 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. The waiver must be in writing, signed by the Director entitled to notice, and filed with the Minutes or the Corporate Records. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof unless the Director, upon arriving at the meeting or prior to the vote on a matter not noticed in conformity with these Bylaws, objects to lack of notice and does not thereafter vote for or assent to the objected action. 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 5.13. 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, unless the vote of a greater number of Directors is required by the Articles, the Declaration, these Bylaws or by law. 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 to another 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 a meeting by signing and concurring in the Minutes thereof, shall constitute the presence of such Director for the purpose of determining a quorum.

Section 5.14. Attendance by Electronic Means. Directors may participate in any regular or special meeting by any means of communication by which all Directors participating may hear each other simultaneously during the meeting. The Director so participating shall be deemed to be present in person at the meeting.

Section 5.15. Compensation. No Directors shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5.16. Powers. The Board of Directors of the Association shall have the powers necessary for the administration of the affairs of the Association and may do all such acts and things as are not prohibited by law or by the Declaration, the Articles of Incorporation, or these Bylaws which are directed to be exercised and done by Owners or Members. These powers shall specifically include, but shall not be limited to, the powers granted to the Board by the Declaration and the following:

(a) To exercise all powers specifically set forth in the Declaration, in the Articles of Incorporation, in these Bylaws, and all powers incidental thereto.



(b) To make 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 Property, 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 Property.

(e) To contract for the management of the Property and to delegate to such management agent all of the powers and duties of the Association, except those which be required by the Declaration to have approval of the Directors or Owners and further, to contract for the management or operation of portions of the Common Property to the separate management or operation thereof, and to lease or concession such portions.


(f) To make further improvements to the Common Property, both real and personal, and the right to purchase realty and items of furniture, furnishings, fixtures and equipment for the foregoing, and the right to acquire and enter into agreements, subject to provisions of the Declaration, the Articles of Incorporation and these Bylaws.

(g) To designate one or more committees which, to the extent provided in the resolution designating said committee, shall have the powers of the Board of Directors in the management and affairs and business of the Association. Such committee shall consist of at least three (3) Members. The committee or committees shall have such name or names as may be determined from time to time by the Board of Directors, and said committee(s) shall keep regular minutes of their proceedings and report the same to the Board of Directors, as required. The foregoing powers shall be exercised by the Board of Directors or its management agent or employees, subject only to approval by Members when such is specifically required.

(h) To borrow money to meet the financial needs of the Association and to mortgage the property of the Association and to pledge revenues of the Association as security for such loans made to the Association, the proceeds of which loan shall be used by the Association in performing its authorized functions.

Section 5.17. Duties. The duties of the Board of Directors shall specifically include, but shall not be limited to the duties imposed upon it by the Declaration and the following:

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at each annual meeting of the Members, or any special meeting when such statement is requested in writing by one-fourth (1/4) of the membership.

(b) To supervise all officers, agents and employees of this Association, and to see that their duties are properly performed. 

(c) As more fully provided in the Declaration, to:

(i) fix the amount of the annual assessment against each Homesite or Lot as defined in the Declaration not later than the first calendar quarter in each year;

(ii) send written notice of each assessment to every Owner subject thereto as soon as practicable after the fixing hereof; and

(iii) enforce the lien rights against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Member or Owner personally obligated to pay the same.

(d) To issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment.

(e) To procure and maintain adequate liability and hazard insurance on property owned by the Association in the form and amount required by the Declaration.

(f) To cause all officers or employees of the Association having fiscal responsibilities to be bonded, with fidelity bonds in the form and amount required by the Association, and the premium on such bonds shall be paid by the Association.

(g) To cause the Common Property to be adequately maintained.

(h) To review and amend, if appropriate, the proposed annual budget as prepared by the Treasurer or management agent, as the case may be.

Section 5.18. Liability of the Board of Directors; Indemnification. Except as required under the laws of the State of South Carolina, the members of the Board of Directors shall not be liable to the Owners or the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. To the extent permitted under the laws of the State of South Carolina, the Association shall indemnify and hold harmless each of the members of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration, of these Bylaws, and of law. 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 Company to contract with corporations owned or controlled, or affiliated with, the Company. It is also intended that the liability of any Member or Owner arising out of any contract made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board of Directors shall be limited to such proportions of the total liability thereunder as his interest in the Common Property bears to the interests of all Members and Owners in the Common Property. Every agreement made by the Board of Directors, or by any managing agent, or by any management firm, as the case may be, are acting only as agent for the Members and Owners and shall have no personal liability thereunder (except as Owners or Members), and that each Members' and Owners' liability thereunder shall be limited to such proportion of the total

liability thereunder as his interest in the Common Property bears to the interests of all Members and Owners in the Common Property.

## ARTICLE VI OFFICERS

Section 6.01. Elective Officers. The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, and such other officers as the Board may from time to time by resolution create, all of whom shall be members of the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 6.02. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 6.03. Appointive Officers. The Board of Directors may appoint Assistant Secretaries and Assistant Treasurers and such other officers as the affairs of the Association may require, who need not be members of the Board of Directors, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors may from time to time determine.

Section 6.04. Resignation and Removal. Any officer may be removed from office with or without cause by the Board of Directors. Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary. 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 and/or acknowledgment of acceptance of such resignation shall not be necessary to make it effective.

Section 6.05. Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 6.06. The President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members and of the Board of Directors. He shall have executive powers and general supervision over the affairs of the Association and other officers and shall see that orders and resolutions of the Board are carried out. The President shall sign all leases, mortgages, deeds and other written contracts and instruments and shall co-sign all checks and promissory notes, 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 6.07. The Vice President. The Vice President shall take the place of and perform all of the duties of the President in his absence or when the President is unable to act. He shall have such other duties as may be required of him from time to time by the Board of Directors of the Association.

Section 6.08. The Secretary. The Secretary shall issue notices of all Board of Directors meetings and all meetings of the Members. The Secretary shall have charge of all of the Association's books, records and papers, except those kept by the Treasurer and shall



authenticate the records of the Association when necessary. The Assistant Secretary shall perform the duties of the Secretary when the Secretary is absent.

Section 6.09. The Treasurer. The Treasurer shall:

(a) 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) disburse the funds of the Association as may be ordered by the Board of Directors in accordance with these Bylaws, 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) collect the assessments and maintenance fees and shall promptly report the status of collections and of all delinquencies to the Board of Directors;

(d) give status reports to potential transferees on which reports the transferees may rely;

(e) in conjunction with the Association's accountant and such other persons as the Board of Directors may designate, shall prepare an annual budget for consideration, modification, if appropriate, and ultimate approval by the Board of Directors;

(f) the Assistant Treasurer shall perform the duties of the Treasurer when the Treasurer is absent; and

(g) the duties of the Treasurer may be fulfilled by a management firm or professional 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 required to be kept by the Secretary of the Association.

**ARTICLE VII**  
**MAINTENANCE AND ANNUAL ASSESSMENTS**

Section 7.01. Payment of Assessments. As more fully provided in the Declaration, each Member or Owner is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property or membership against which the assessment is made. Any assessments which are not paid on the date when due shall be subject to late charge of eighteen percent (18%) per year (or the maximum interest rate allowable by law) on the delinquent amount until the assessment and any accrued late charges and collection charges are paid in full. The Association may bring an action at law against the Owner and Member personally obligated to pay the same or foreclose the lien against the property, and interests, costs, and reasonable attorney's fees of any such action shall be added to the amount of such

9

assessment. No Owner or Member may waive or otherwise escape liability for the assessments provided herein by nonuse of the Common Property or abandonment of his Homesite or Lot.


Section 7.02. Depositories. The funds collected as Assessments shall be deposited in such banks and depositories as may be determined by the Company or Board of Directors of the Association from time to time upon resolutions approved by the Company or Board of Directors. Such funds shall be withdrawn only upon checks and demands for money signed by such officer or officers of the Company or the Association as may be designated. Obligations of the Association shall be signed by at least two officers of the Association as may be designated by the Board of Directors; provided, however, that the provisions of any agreement between the Association and any management firm or professional relative to the subject matter in this section shall supersede the provisions hereof.

Section 7.03. Fidelity Bonds. At the option of the Board of Directors, the Treasurer and all officers who are authorized to sign checks and all officers and employees of the Association and any contractor handling or responsible for Association funds, including any management firm may be bonded in such amount as may be determined by the Board of Directors. The bonds shall be in an amount sufficient to equal the monies an individual handles or has control of via a signatory or a bank account or other depository account. Notwithstanding the foregoing, however, the management firm or professional, as to funds in its possession and/or control, shall determine, in its sole discretion, the amount of and who is to be bonded, if any, among its employees.

Section 7.04. Fiscal Year. The fiscal year for the Association shall begin on the 1<sup>st</sup> day of January of each year; provided, however, that the Board of Directors is expressly authorized to change to a different fiscal year in accordance with the provisions and regulations from time to time prescribed by the Internal Revenue Code of the United States of America, at such time as the Board of Directors deems it advisable.

Section 7.05. Application of Payments and Commingling of Funds. Except as otherwise provided in the Declaration or these Bylaws, all sums collected by the Company or Association from assessments and maintenance fees may be commingled in a single fund or divided into more than one fund, as determined by the Company or Board of Directors of the Association. All assessment payments and maintenance fees by a Member or Owner shall be applied as to interest, delinquencies, costs and attorney's fees, other charges, expenses and advances as provided herein and in the Declaration in such manner and amounts as the Board of Directors determines in its sole discretion.

Section 7.06. Acceleration of Assessment Installments Upon Default. If a Member or Owner shall be in default in the payment of an installment upon any assessment, the Board of Directors may accelerate the remaining monthly or quarterly installments for the fiscal year upon notice thereof to the Member or Owner; and, thereupon, the unpaid balance of the assessment shall become due upon the date stated in the notice, but not less than fifteen (15) days after delivery of or the mailing of such notice to the Member or Owner.

Section 7.07. Audits. An audit of the accounts of the Association will be made upon request of a majority of the Members in and at such times as the Board of Directors deems necessary. 

Section 7.08. Application of Surplus. Any payments or receipts to the Association, whether from Members, Owners or otherwise, paid during the fiscal year in excess of the Common Expenses of the Association shall be kept by the Association in a reserve fund as set forth in the Declaration.

Section 7.09. Transfer of Ownership. The transfer of ownership of a Homesite or Lot shall carry with it the proportionate equity of that Members' or Owners' ownership in the Association escrow account set aside to provide a contingency fund for the maintenance and repair of the Common Property or other Common Expenses.

## **ARTICLE VIII** **COMPLIANCE AND DEFAULT**

Section 8.01. Violations. In the event of a violation (other than the non-payment of an assessment) by an Owner or Member of any of the provisions of the Declaration or these Bylaws, the Association, by direction of its Board of Directors, may notify the Member or Owner by written notice of said breach, transmitted by mail, and if such violation shall continue for a period of seven (7) days from date of notice, the Association, through its Board of Directors, shall have the right to treat such violation as an intentional and inexcusable and material breach of the Declaration, these Bylaws, and the Association may then, at its option, have the following elections:

(a) An action at law to recover for its damage, on behalf of the Association or on behalf of the other Owners and Members;

(b) An action in equity to enforce performance on the part of the Owner or Member;  
or

(c) An action in equity for such equitable relief as may be necessary under the circumstances, including injunctive relief.

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

Section 8.02. Costs and Attorneys' Fees. In any proceeding arising because of an alleged default by an Owner or 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 8.03. No Waiver of Rights. The failure of the Association or of an Owner or Member to enforce any right, provision, covenant or condition which may be granted by the Declaration, Articles of Incorporation or these Bylaws shall not constitute a waiver of the right of the Association, the Member or Owner to enforce such right, provision, covenant or condition in the future.

Section 8.04. Election of Remedies. All rights, remedies, and privileges granted to the Association or any Owner or Member, pursuant to any terms, provisions, covenants or conditions of the Declaration, Articles of Incorporation or these Bylaws shall be deemed to be cumulative and the exercise of any one or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies or privileges as may be granted to such other party by the Declaration, Articles of Incorporation or these Bylaws or at law or in equity.

Section 8.05. Statement of Common Charges. The Board of Directors shall, for a reasonable fee, promptly provide any purchaser of any property or membership, Owner, Member or Mortgagee so requesting the same in writing, with a written statement of all unpaid common charges due from any appropriate Owner or Member and the purchaser's liability therefore shall be limited to the amount as set forth in the statement. Any Mortgagee may pay any unpaid Common Expenses payable with respect to Property in which it owns an interest and upon such payment such Mortgagee shall be entitled to have a lien on such Property for the amounts paid of the same rank as the lien of its encumbrance.

Section 8.06. Transfer of Property. All Owners and Members shall notify the Association and any Mortgagee of a Homesite or Lot who request same in writing, of any transfer, by sale or otherwise, of said Homesite or Lot within ten (10) days of the date of same. Said notice shall include such information and be in the form that the Association shall prescribe from time to time. The Association may send all necessary notices to the person shown as Owner or Member in its records, and said notice shall be binding as to any other Owner or Member where the Association has not been notified as provided therein.

## ARTICLE IX FUNCTIONS OF ASSOCIATION

Section 9.01. Ownership and Maintenance of Common Property and Open Space. The Association shall be authorized to own and maintain open space and Common Property and equipment, furnishings, and improvements devoted to the following uses:

- (a) for roads or roadways, and parkways along said roads or roadways throughout the Property;
- (b) for walking paths or trails and bicycle paths, throughout the Property;
- (c) for a private security force and fire protection including a security station, maintenance building and/or guardhouse, security equipment, and fire stations and fire fighting equipment, and buildings used in maintenance functions;
- (d) for emergency health care including an ambulance and the equipment necessary to provide such emergency care;
- (e) for providing any of the services which the Association is authorized to offer under the Declaration or these Bylaws;



(f) for purposes set out in deeds or long-term leases by which open space or Common Property are conveyed or leased to the Association;

(g) for lakes, lagoons, playing fields, historic parks, wildlife areas, fishing facilities, community dock facilities, open space and other recreational facilities of any nature;

(h) community meeting facilities serving the Property;

(i) for insect and pest control within the Property; and

(j) for drainage facilities serving the Property.

Section 9.02. Ownership and Maintenance of Common Property. The Association may be authorized to own and maintain the Common Property within Shell Pointe.

Section 9.03. Authorized Services. The Association shall be authorized but not required to provide the following services:

(a) clean-up and maintenance of all roads, park-ways, lagoons, wetlands, lakes, open space and other Common Property within the Property, and also all public properties which are located in a reasonable proximity to the Property such that their deterioration would affect appearance of the Property as a whole;

(b) landscaping of roads and parkways, walking paths and other Common Property;

(c) lighting of the Property;

(d) security functions, including but not limited to the employment of security guards, maintenance of electronic and other security devices and control centers for the protection of persons and property within the Property, and assistance in the apprehension and prosecution of persons who violate the laws of South Carolina within the Property;

(e) fire protection and prevention;

(f) garbage and trash collection and disposal;

(g) insect and pest control to the extent that it is necessary or desirable in the judgment of the Board of Directors of the Association to supplement the service provided by the federal, state and local governments;

(h) the services necessary or desirable in the judgment of the Board of Directors of the Association to carry out the Association's obligations and business under the terms of this Declaration;

(i) the stocking of ponds, lakes and lagoons located within the Property;

(j) to take any and all actions necessary to enforce all covenants and restrictions affecting the Property and to perform any of the functions or services delegated to the Association in the Declaration or any other covenants or restrictions applicable to the Property;



- (k) to set up and operate the ACC as provided for in the Declaration;
- (l) to conduct recreation, sport, craft, and cultural programs of interest to Members and Owners, their children and guests;
- (m) to provide safety equipment for storm emergencies;
- (n) to construct improvements on open space for any of the purposes or as may be required to provide the services as authorized in this Article;
- (o) to provide administrative services including but not limited to: legal, accounting and financial; and communication services informing Owners and Members of activities, Notice of Meetings, Referendums, etc., incident to the above listed services;
- (p) to provide liability and hazard insurance covering improvements and activities on the open space, and Common Property, independently or in collaboration with the Company;
- (q) to maintain, operate and govern the swim facilities and other community recreational amenities in the Property once they are made available to the Association, including the promulgation of Rules and Regulations for the administration thereof. Prior to conveyance the Company shall have the sole responsibility to promulgate the said Rules and Regulations, including the policy on guest play for all such facilities;
- (r) to maintain, mow, landscape or otherwise maintain any signage fronting the Property.

In the event the Company is unable or unwilling to perform any of the services listed above in a manner satisfactory to the Board of Directors of the Association, the Association shall and is hereby authorized to perform such services.

Section 9.04. Obligation of the Association. The Association shall not be obligated to carry out or offer any of the functions and services specified or implied in the Declaration except to the extent funds are available to defray the cost thereof. Except as herein expressly mandated, 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 taking into consideration the funds available to the Association and the needs of the Owners and Members. Special assessments shall be submitted to the Members at a duly called meeting, and may not be submitted for Referendum. As more fully described in the Declaration, such Special Assessment must be approved by two-thirds (2/3) of the vote at a duly called meeting of the Members. The functions and services which the Association is authorized to provide may be added or reduced at any time upon the affirmative vote of fifty-one percent (51%) or more of those voting in a Referendum conducted by the Board of Directors under the procedures set forth herein.

Section 9.05. Mortgage and Pledge. The Board of Directors of the Association shall have the power and authority to borrow money for use by the Association and to mortgage the property of the Association and to pledge the revenues of the Association as security for such loans made to the Association which loans shall be used by the Association only in performing its authorized functions. The Company may, but shall not be obligated to, make loans to the

Association, subject to the approval by the Company of the use to which such loan proceeds will be put and the method by which such loans will be repaid and subject to a maximum of loan amount approved by the Company, at interest rates acceptable to the Company. Notwithstanding anything in this Declaration to the contrary, the Association shall not be allowed without the consent of the Company to reduce the limits of the minimum regular annual assessments at any time there is outstanding any amount due to the Company as repayment of any loans made by the Company to the Association.

#### **ARTICLE X** **AMENDMENTS TO THE BYLAWS**

The Bylaws may be altered, amended or added to at any duly called meetings of the Members, provided:

(a) Notice of the meeting shall state the purpose, or one of the purposes, or the meeting is to consider the adoption, amendment or repeal of Bylaws and shall contain a statement of the proposed amendment or a copy or summary of the proposal.

(b) If the amendment has received the unanimous approval of the full Board of Directors, then it shall be approved upon the affirmative vote of the majority of Members.

(c) If the amendment has not been approved by the unanimous vote of the Board of Directors, then the amendment shall be approved by the affirmative vote of not less than seventy-five percent (75%) of the Members entitled to vote.

(d) Notwithstanding the foregoing, these Bylaws may only be amended with the written approval, when required, of the parties specified in the Declaration. The system of administration may at any time be modified at a duly held meeting of the Association by the affirmative vote of not less than seventy-five percent (75%) of the Members entitled to vote.

(e) The Company, so long as it holds its Class "B" membership as defined in Section 4.3 of the Declaration, reserves the right at any time to amend the portion of the Bylaws that are not likewise covered in the Declaration in such manner as may be required by a lending institution or public body, or in such manner as the Company may determine to be necessary to carry out the purposes of the Development provided that such amendment shall not impair the voting rights of Members.

#### **ARTICLE XI** **LIABILITY SURVIVES TERMINATION OF MEMBERSHIP**

The termination of membership in the Association shall not relieve or release any such former Owner or Member 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 Owner or Member arising out of or in any way connected with such Ownership or membership in the Association and the covenants and obligations incident thereto.



**ARTICLE XII**  
**PARLIAMENTARY RULES**

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

**ARTICLE XIII**  
**LIENS**

Section 13.01. Protection of Property. All liens against the Common Property or any portion thereof, other than for mortgages, taxes or special assessments shall be satisfied or otherwise removed within thirty (30) days of the date the lien attached. All taxes and special assessments upon the Common Property shall be paid before becoming delinquent, as provided in the Declaration, Articles of Incorporation and these Bylaws, or by law, whichever is sooner.

Section 13.02. Notice of Lien. An Owner shall give notice to the Association of every lien upon his Homesite or Lot, other than for mortgages, taxes and special assessments within five (5) days after the attaching of the lien.

Section 13.03. Notice of Suit. Owners 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 Common Property, such notice to be given within five (5) days after the Owner receives notice of such suit or proceeding.

Section 13.04. Failure to Comply. Failure to comply with this Article concerning liens will not affect the validity of any judicial sale.

**ARTICLE XIV**  
**RULES AND REGULATIONS**

Section 14.01. Establishment of Rules and Regulations. Subject to the provisions hereof and the provisions of the Declaration, the Association may establish reasonable rules and regulations concerning the use of Homesites, Lots, easement areas, open space and the Common Property and facilities located thereon. Copies of such rules and regulations and amendments thereto shall be furnished by the Association to all Owners and Members prior to the effective date of such rules and regulations and amendments thereto. Such rules and regulations shall be binding upon the Owners and Members, their families, tenants, guests, invitees, servants and agents, until and unless any such rules or regulations are specifically overruled, canceled or modified by the Board of Directors of the Association or in a regular or special meeting of the Association by the vote of the Members, in person or by proxy, holding a majority of the total votes in the Association; provided that in the event of such vote prior to elimination of the Class "B" membership such action must also be approved by the Company.

Section 14.02. Authority and Enforcement. Subject to the provisions of the Declaration, upon the violation of the Declaration, the Bylaws, or any rules and regulations duly adopted hereunder, including, without limitation, the failure to timely pay any assessments, the Board of Directors of the Association shall have the power to:

(a) impose reasonable monetary fines on the Owner or Member guilty of such violation which shall also constitute an equitable charge and a continuing lien upon the properties of such Property;

(b) suspend a Member's right to vote in the Association;

(c) suspend an Owner's or Member's right to use any Common Property other than the right of ingress and egress and the Board of Directors of the Association shall have the power to impose all or any combination of these sanctions; and

(d) take such other actions as the Board deems necessary which are provided for in Article VIII of the Declaration.

An Owner or Member shall be subject to the foregoing sanctions in the event of such a violation by such Owner or Member, his family, guests, tenants or invitees, or by his co-owners. Any such suspension of rights may be for the duration of the infraction and for any additional period thereafter, not to exceed sixty (60) days.

Section 14.03. Procedure. Except with respect to the failure to pay assessments, the Board of Directors of the Association shall not impose a fine, suspend voting rights, or infringe upon or suspend any other rights of an Owner or Member for violations of the Declaration, the Bylaws, or any rules and regulations of the Association, unless and until the procedure set forth in Article VIII relating to the Right of Abatement or the following procedure is follows:

(a) Written demand to cease and desist from an alleged violation shall be served upon the person responsible for such violation specifying:

(i) the alleged violation;

(ii) the action required to abate the violation; and

(iii) a time period of not less than five (5) days during which the violation may be abated without further sanction, if such violation is a continuing one, or if the violation is not a continuing one, a statement that any further violation of the same provision of this Declaration, the Bylaws, or of the rules and regulations of the Association may result in the imposition of sanctions after notice and hearing.

(b) If the violation continues past the period allowed in the demand for abatement without penalty, or if the same violation subsequently occurs within twelve (12) months of such demand, the Board of Directors of the Association may serve such person with written notice of a hearing to be held by the Board of Directors in executive session. The notice shall contain:

(i) the nature of the alleged violation;

(ii) the time and place of the hearing, which time shall not be less than ten (10) days from the giving of the notice;

(iii) an invitation to attend the hearing and produce any statement, evidence and witnesses on his behalf; and

(iv) the proposed sanction to be imposed.

(c) The hearing shall be held in executive session of the Board of Directors pursuant to the notice and shall afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer, Director or other individual who deliver such notice. The notice requirement shall be deemed satisfied if an alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction imposed, if any.

## ARTICLE XV MISCELLANEOUS MATTERS

Section 15.01. Gender; Number. The use of the masculine gender in these Bylaws includes the feminine gender, and when the context requires the use of a singular, includes the plural.

Section 15.02. Definitions. The definitions contained in the Declaration also apply to these Bylaws.

Section 15.03. Execution of Documents. The President or Vice President and Secretary or Assistant Secretary are all responsible for preparing, executing, filing and recording amendments to the Declaration and Bylaws and shall be authorized to execute any other document which the Association may from time to time be required to execute.

Section 15.04. Notices. All notices required by these Bylaws shall be hand-delivered or sent by first-class or certified mail to the Association at the address of the President; to Owners at the address of the resident or at such address as may have been designated by such Owner from time to time in writing to the Association. All notices forwarded to the Association shall be deemed to have been given when mailed or delivered except notice of changes of address which shall be deemed to have been given when received.

Section 15.05. Captions. The captions contained in these Bylaws are inserted as a matter of convenience and for reference and in no way define, limit or described the scope of these Bylaws or the intent of any provisions of the Bylaws.

Section 15.06. Invalidity. The invalidity of any part of these Bylaws shall not impair or affect, in any manner, the validity and enforceability or effect of the balance of these Bylaws.

Section 15.07. Conflict. In the event of any conflict between these Bylaws, the Declaration and the laws of the State of South Carolina, the law of the State of South Carolina, the Declaration and these Bylaws, as the case may be, shall control in that order.

Section 15.08. Waiver. No restriction, condition, obligation or covenant contained in these Bylaws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the violation or breaches thereof which may occur.

*gc*