

**BY-LAWS OF
WATERSIDE PROPERTY OWNERS ASSOCIATION, INC.**

ARTICLE I

Name and Location

The name of the corporation is **WATERSIDE PROPERTY OWNERS ASSOCIATION, INC.**, hereinafter referred to as the "association".

The principal office of the corporation shall be located at P.O. Box 309, 660 S. Coastal Highway, Bethany Beach, Delaware 19930, but meetings of members and directors may be held at such places within the State of Delaware, County of Sussex, as may be designated by the Board of Directors.

ARTICLE II

Definitions

Unless the context denotes otherwise, the following terms are defined as follows:

Section 1. The term "association" shall mean and refer to **WATERSIDE PROPERTY OWNERS ASSOCIATION, INC.**, its successors and assigns.

Section 2. The term "properties" shall mean and refer to that certain real property described in that certain plot of record in the Office of the Recorder of Deeds, in and for Sussex County, in Plot Book 74, page 47, and such additions thereto as may hereafter be brought within the jurisdiction of the association.

Section 3. The term "common properties" shall mean all real property owned by the association for the common use and enjoyment of the members of the association as such is described in the Declaration of Covenants and Restrictions found of record in the Office of the Recorder of Deeds, in and for Sussex County, in Deed Book 2676, page 267, and as amended.

Section 4. The term "unit" shall mean and refer to any plot of land or condominium unit shown upon any plot of the properties with the exception of the common area, as such is recorded in the Office of the Recorder of Deeds, in and for Sussex County, in Plot Book 74, page 47, and as amended, revised and supplemented by expansion documents.

Section 5. The term "member" shall mean and refer to every person or entity who holds a membership in the association.

Section 6. The term "owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any unit which is a part of the properties,

excluding those having such interest merely as security for the performance of an obligation.

Section 7. The term "developer" shall mean and refer to **BETHANY PROPER LIMITED PARTNERSHIP**, their heirs, executors, administrators, successors and assigns.

Section 8. The term "declaration" shall mean and refer to the Declaration of Covenants and Restrictions applicable to the properties recorded in the Office of the Recorder of Deeds, in and for Sussex County, at Georgetown, Delaware.

ARTICLE III

Membership

Section 1. Every owner of a unit, which is subject to assessment or shall be eligible for a later assessment shall be a member of the association, provided, however, that any such person or entity who holds such interest merely as a performance for an obligation shall not be a member, unless and until such person or entity has succeeded to such owner's interest by enforcement of such security interest. Membership shall be appurtenant to and may not be separated from the ownership of any unit, which is subject to assessment. Provided, however, that the developer shall be considered an owner of each unit held by the developer whether such unit or units are or are not subject to assessment.

Section 2. The association shall have two classes of voting membership as established in Section 4.4 of the Declaration.

Section 3. Suspension of Membership. During any period in which a member shall be in default in the payment of any annual or special assessment levied by the association, the voting rights and right to use the recreational facilities in the member may be suspended by the Board of Directors until the assessment has been paid. Such rights of a member may also be suspended, after notice and hearing, for a period not to exceed ninety (90) days, for violation of any rules and regulations established by the Board of Directors governing the use of the common properties and facilities.

ARTICLE IV

Property Rights: Rights of Enjoyment

Each member shall be entitled to the use and enjoyment of the common properties and facilities as provided in the

declaration. Any member may delegate his rights of enjoyment of the common properties and facilities to the members of his family, his tenants or contract purchasers, who reside on the property. The member shall notify the secretary in writing of the name of any delegatee. The rights and privileges of the delegatee are subject to suspension to the same extent as those of the members.

ARTICLE V

Board of Directors: Selection: Term of Office

Section 1. Board. The affairs of this association shall be managed by a Board of Directors as established in the Declaration.

Section 2. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 3. Compensation. No director 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 4. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI

Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the board of directors shall be held at a time, place, and hour as may be fixed by resolution of the board. The board shall meet at least annually.

Section 2. Special Meetings. Special meetings of the board of directors shall be held when called by the president of the association, or by any two directors, after not less than two (2) days' notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of

business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board.

ARTICLE VII

Nomination and Election of Directors

Section 1. Nomination. Nomination for election to the board of directors shall be made by a nominating committee. Nominations may also be made from the floor at the annual meeting. The nominating committee shall consist of a chairman, who shall be a member of the board of directors, and two or more members of the association. The nominating committee shall be appointed by the board of directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and the 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. The nominations may be made from among members or non-members.

Section 2. Election. Election to the board of directors shall be by secret written ballot. At the 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. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VIII

Powers and Duties of the Board of Directors

Section 1. Powers. The board of directors shall have power to perform all rights and duties of the Association unless otherwise specifically reserved to the Association Membership in the declaration, in the articles of incorporation or these by-laws, and, more specifically:

(a) Adopt and publish rules and regulations governing the use of the common properties and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

(b) Exercise for the association all powers, duties and authority vested in or delegated to this association and not reserved to the membership by other provisions of these by-laws, the articles of incorporation, or the declaration;

(c) Declare the office of a member of the board of directors to be vacant in the event such members shall be absent from three (3) consecutive regular meetings of the board of directors; and

(d) Employ a manager, an independent contractor, or other employees as they deem necessary, and to prescribe their duties.

Section 2. Duties. It shall be the duty of the board of directors to:

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members or at any special meeting when the statement is requested in writing by one-fourth (1/4) of the Class A members who are entitled to vote;

(b) Supervise all officers, agents and employees of this association, and to see that their duties are properly performed;

(c) As more fully provided herein, and in the declaration, to:

(1) Fix the amount of the annual assessment against each unit at least sixty (60) days in advance of each monthly assessment period, as hereinafter provided in Article VI, and

(2) Send written notice of each assessment to every owner subject thereto at least fifteen (15) days in advance of each annual assessment period;

(d) Issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate stating 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 an assessment has been paid, it shall be conclusive evidence of such payment;

(e) Procure and maintain adequate liability and hazard insurance on property owned by the association;

(f) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(g) Cause the common area to be maintained.

ARTICLE IX

Committees

Section 1. The association shall appoint a nominating committee, as provided in these by-laws. In addition, the board of directors shall appoint other committees as deemed appropriate in carrying out its purposes.

Section 2. It shall be the duty of each committee to receive complaints from members on any matter involving association functions, duties, and activities within its field of responsibility. It shall dispose of the complaints as it deems appropriate or refer them to any other committee, directors, or officer of the association as is further concerned with the matter presented.

ARTICLE X

Meetings of Members

Section 1. Annual Meetings. Prior to full completion of the Development, but before eighty percent (80%) of the proposed Units are sold, the Board of Directors shall consist of three (3) directors as shall have been designated by the Developer. When eighty percent (80%) of the proposed Units in the Homes of WaterSide and Townhomes of WaterSide are constructed and settled, or seven (7) years, whichever is sooner, the Board of Directors shall consist of five (5) directors as shall have been designated by the Developer. The Association shall be governed by a Board of Directors comprised, upon full completion of the Development of five (5) Directors, all of which shall be owners. There shall be one (1) director who is an owner from each of the following communities: Homes, Townhomes, Apartments and the Commercial Center of WaterSide; there shall be one (1) Director who is an owner, to be elected at large, all as established in the Bylaws of the Association. The Board of Directors shall have the power to perform all rights and duties of the Association unless otherwise specifically reserved to the Association membership in this Declaration or in the Articles of Incorporation or Bylaws of the Association.

Section 2. The first annual meeting of the members shall be held within one (1) year from the date of incorporation of the association, and each subsequent regular annual meeting of the members shall be held in the same quarter of each year thereafter, at an hour to be established by the Board. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 3. Special Meetings. Special meetings of the members may be called at any time by the president or by the

board of directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the entire membership or who are entitled to vote one-fourth (1/4) of the votes of the Class A membership.

Section 4. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of the notice, postage paid, at least fifteen (15) days before the meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the association, or supplied by the member to the association for the purpose of notice. The notice shall specify the place, day and hour of the meetings and, in the case of a special meeting, the purpose of the meetings.

Section 5. Quorum. The presence at the meeting of the members entitled to cast, or of proxies entitled to cast, one-fourth (1/4) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the articles of incorporation, the declaration, or these by-laws. If, however, a quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 6. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his unit.

ARTICLE XI

Officers and Their Duties

Section 1. Enumeration of Offices. The officers of this association shall be a president and vice-president, who shall at all times be members of the board of directors, a secretary, and a treasurer, and other officers as the board may from time to time by resolution create.

Section 2. 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 3. Term. The officers of this association shall be elected annually by the board and each shall hold office for one (1) year, unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The board may elect other officers as the affairs of the association may require, each of whom shall hold office for a period, have the authority, and perform any duties as the board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the board. Any officer may resign at any time by giving written notice to the board, the president or the secretary. The resignation shall take effect on the date of receipt of the notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to the vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this article.

Section 8. Duties. The duties of the officers are as follows:

(a) President. The president shall preside at all meetings of the board of directors; shall see that orders and resolutions of the board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

(b) Vice-President. The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge any other duties as may be required of him by the board.

(c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the board and of the members; keep the corporate seal of the association and affix it on all papers requiring the seal; serve notice of meetings of the board and of the members; keep appropriate current records showing the members of the association together with their addresses, and shall perform any other duties as required by the board.

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the association and shall disburse funds as directed by resolution of the board of directors; shall sign all checks and promissory notes of the association; keep proper books of account; cause an annual audit of the association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE XII

Assessments

Assessments shall be as provided in Article VII of the Declaration.

ARTICLE XIII

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 member. The declaration, the articles of incorporation and the by-laws of the association shall be available for inspection by any member at the principal office of the association, where copies may be purchased at reasonable cost.

ARTICLE XIV

Corporate Seal

The board of directors shall provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the corporation.

ARTICLE XV

Amendments

Section 1. These by-laws may be amended, at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy.

Section 2. In the case of any conflict between the articles of incorporation and these by-laws, the articles shall control; and in the case of any conflict between the declaration and these by-laws, the declaration shall control.

ARTICLE XVI

Miscellaneous

The fiscal year of the association shall begin on the first day of January, and end on the thirty-first day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

DATED: _____

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