

enjoyment of the Units and Common Elements of the Association, the Board of Directors shall be responsible for the establishment of "Rules of Conduct" applicable to all Co-Owners and their family members, guests, and tenants. Co-Owners shall be responsible for the conduct of their family members, guests, and tenants.

(b) The Board of Directors shall be responsible for enforcement of the Rules of Conduct and any amendments thereto and enforcement of same. All fee levels, fines, and penalties deemed necessary as a result of non-compliance with the Rules of Conduct shall be determined by the Board of Directors and reviewed periodically and adjusted when deemed appropriate.

(c) Subject to the terms of this Section and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may amend, modify, cancel, limit, create exceptions to, or expand the Rules of Conduct without an amendment to the By-Laws. The Board shall send notice to all Members concerning any proposed action at least five (5) business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken. Such action shall become effective, after compliance with Section 12(e) below, unless Members representing more than fifty percent (50%) of the total votes in the Association disapprove such action at a meeting. The Board shall have no obligation to call a meeting of the Members to consider disapproval except upon receipt of a petition of the Members as required for special meetings in the Bylaws. Upon such petition of the Members prior to the effective date of any Board action under this subsection, the proposed action shall not become effective until after such meeting is held, and then subject to the outcome of such meeting.

(d) Alternatively, Co-Owners representing more than fifty percent (50%) of the total votes in the Association, at an Association meeting duly called for such purpose, may vote to adopt rules which modify, cancel, limit, create exceptions to, or expand the Rules of Conduct then in effect.

(e) Prior to any action taken under this Section becoming effective, the Board shall send a copy of the new rule or explanation of any changes to the Rules of Conduct to each Member and shall record the Rules of Conduct in the Office of the Register of Deeds for Beaufort County, South Carolina. The effective date shall be not less than thirty (30) days following distribution to Members. The Association shall provide, without cost, a copy of the Rules of Conduct then in effect to any requesting Member or Mortgagee.

(f) The procedures required under this Section shall not apply to the enactment and enforcement of administrative rules and regulations governing use of the Common Property unless the Board chooses in its discretion to submit to such procedures. Examples of such administrative rules and regulations shall include, but not be limited to, hours of operation of a recreational facility, regulations required by laws of the State of South Carolina or other governing bodies, speed

limits on private roads, and the method of allocating or reserving use of a facility (if permitted) by particular individuals at particular times.

(g) All Members are given notice that use of their Units and the Common Property is limited by the Rules of Conduct, as amended, expanded, and otherwise modified. Each Member, by acceptance of a deed to a Unit, acknowledges and agrees that the use and enjoyment and marketability of a Member's Unit can be affected by this provision and that the Rules of Conduct may change from time to time. All purchasers of Units are on notice that the Association may have adopted changes. Copies of the current Rules of Conduct may be obtained from the Association.

(h) Except as may be set forth in the Master Deed, the Bylaws or (either initially or by amendment) or in the Rules of Conduct, all Rules of Conduct shall comply with the following provisions:

A. *Similar Treatment.* Similarly situated Members shall be treated similarly.

B. *Displays and Signs.* The rights of Members to display religious and holiday signs, symbols, and decorations inside their Units of the kinds normally displayed in dwellings located in residential neighborhoods shall not be abridged, except that the Association may adopt time, place, and manner restrictions with respect to displays visible from outside the dwelling.

C. *Household Composition.* No rule shall interfere with the freedom of Members to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each Unit on the basis of the size and facilities of the Unit and its fair use of the Common Property.

D. *Activities Within Dwellings.* No rule shall interfere with the activities carried on within the confines of dwellings, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Members, that create a danger to the health or safety of occupants of other Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, or that create an unreasonable source of annoyance.

E. *Allocation of Burdens and Benefits.* No rule shall alter the allocation of financial burdens among the various Units or rights to use the Common Property to the detriment of any Member over that Member's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Property available, from adopting generally applicable rules for use of Common Property, or from denying use privileges to those who are

delinquent in paying assessments, abuse the Common Property, or violate the Governing Documents. This provision does not affect the right to increase the amount of assessments.

F. *Alienation.* No rule shall prohibit leasing or transfer of any Unit, or require consent of the Association or Board for leasing or transfer of any Unit; provided, however, that the Association or the Board may require a minimum lease term. The Association may require that Members include specific language in the leases for their Units or that such Members use lease forms that have been approved by the Association.

G. *Abridging Existing Rights.* No rule shall require a Member to dispose of personal property that was in or on a Unit prior to the adoption of such rule if such personal property was in compliance with all rules previously in force. This exemption shall apply only during the period of such Member's Co-Ownership of the Unit, and shall not apply to subsequent Members who take title to the Unit after adoption of the rule.

2. Any capitalized term not defined in this Amendment, shall have the meaning assigned in the By-Laws.

3. Except as modified herein, the By-Laws shall remain in full force and effect.

[SIGNATURES ON FOLLOWING PAGE.]

