

EXHIBIT "D"

BY-LAWS

OF

THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIME

AND

THE TOWNHOMES AT SOUTH SHORE OWNERS' ASSOCIATION, INC.

ARTICLE I

PLAN OF UNIT OWNERSHIP

The following By-Laws shall govern the operation of THE TOWNHOMES AT SOUTH SHORE Owners' Association, Inc.

Section 1. HORIZONTAL PROPERTY REGIME. The Property (the term "Property" as used herein means and includes the land, the buildings, all improvements and structures thereon) located in the Leamington Section of Palmetto Dunes Resort, Hilton Head Island, in Beaufort County, South Carolina, known as THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIME has been, by Master Deed, submitted to the provisions of the Horizontal Property Act of South Carolina, which said Property shall henceforth be known as THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIME (hereinafter referred to as "Regime").

Section 2. ASSOCIATION. In conjunction with the creation of the above described Regime there also has been incorporated under the laws of the State of South Carolina an Association known as The Townhomes at South Shore Owners' Association, Inc. (hereinafter referred to as "Association") which shall, pursuant to the provisions of the aforementioned Master Deed, constitute the incorporated The Townhomes at South Shore Owners' Association, Inc. The initial offices of the Association shall be at the offices of Greenwood Development Corporation, (hereinafter referred to as "Declarant"), at 23-C Shelter Cove Lane, Hilton Head Island, South Carolina 29928, or such other place as may be subsequently designated by the Board of Directors of the Association.

Section 3. BY-LAWS APPLICABILITY. The provisions of these By-Laws are applicable to the Property and the Regime. All terms used herein and not otherwise defined shall have the meaning ascribed to them in the MASTER DEED, certain provisions of which Master Deed may be repeated in full or in part.

Section 4. PERSONAL APPLICATION. All present or future Co-Owners, tenants, future tenants, or their employees, or any other person who might use the facilities of the Property in any manner, are subject to the regulations set forth in these By-Laws and in the Master Deed establishing said Regime as they may be amended from time to time. The mere acquisition or rental of any of the Dwelling Units (hereinafter usually referred to as "Units") as defined in the Master Deed of the Property or the mere act of occupancy of any of said Units will signify that these By-Laws, the provisions of the Master Deed, The Covenants as defined in Section 4(m) of the Master Deed and any authorized recorded amendments to the foregoing Master Deed are accepted and ratified, and will be complied with.

ARTICLE II

VOTING, MAJORITY OF CO-OWNERS QUORUM, PROXIES

Section 1. **ELIGIBILITY.** Any person who acquires title to a Unit in the Regime is deemed to have consented to be a Member of the Association. There shall be one membership for each Unit owned. Transfer of Unit ownership, either voluntary or by operation of law, shall terminate membership in the Association, and said membership is to become vested in the transferee. If Unit ownership is vested in more than one person, then all of the persons so owning such Unit shall agree upon the designation of one of the Co-Owners of such Unit to act as a Member of the Association. If Unit ownership is vested in a Corporation, said Corporation may designate an individual officer or employee of the Corporation to act as a Member of the Association.

Section 2. **VOTING.** Voting shall be on a percentage basis and the percentage of the vote to which the Co-Owner is entitled is the statutory percentage assigned to the Unit or Units in the Master Deed.

Section 3. **MAJORITY OF CO-OWNERS.** As used in these By-Laws, the term "majority of Co-Owners" shall mean those Co-Owners holding fifty-one (51%) percent or more of the total value of the Property, in accordance with the statutory percentages assigned in the Master Deed, and any authorized amendments thereto.

Section 4. **QUORUM.** Except as otherwise provided in Article III, Section 7 and elsewhere in these By-Laws, the presence in person or by proxy of a majority of Co-Owners as defined in Section 3 of this Article shall constitute a quorum.

Section 5. **PROXIES.** Votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the Association before the appointed time of each meeting. Proxies may be filed by electronic mail (E-Mail).

Section 6. **MAJORITY VOTE.** The vote of a majority of the Unit Owners present at a meeting at which a quorum shall be present shall be binding upon all Unit Owners for all purposes except where in the Master Deed or in these By-Laws, or by law, a higher percentage vote is required.

ARTICLE III

THE TOWNHOMES AT SOUTH SHORE OWNERS' ASSOCIATION, INC.

Section 1. **ASSOCIATION RESPONSIBILITIES.** The Co-Owners of the Units will constitute the Association which will have the responsibility of administering the Property, and electing the Board of Directors. Except as otherwise provided herein or in the Master Deed or By-Laws, decisions and resolutions of the Association shall require approval by a majority of Co-Owners.

Section 2. **PLACE OF MEETINGS.** All meetings, annual and special, of the Association shall be at the offices of the Association, or at such other place and at such time convenient to the Co-Owners, as shall be designated by the Board of Directors of the Association or the Management Agent and stated in the Notice of Meeting.

Section 3. **ANNUAL MEETINGS.** The annual meetings of the Association shall be held at the call of the President once a year during the month of November or at such other time as a majority of the Co-Owners may agree upon. At such meetings there shall be elected by ballot of the Co-Owners a Board of Directors in accordance with the requirements of Section 5 of Article IV of these By-Laws and there shall be a report by the President or Secretary-Treasurer on the activities and financial condition of the Association. The Co-Owners may also transact such other business of the Association as may properly come before them.

Section 4. **SPECIAL MEETINGS.** It shall be the duty of the Secretary to call a special meeting of the Co-Owners as directed by: (i) resolution of the Board of Directors; (ii) at the request by a majority of the Directors; (iii) or upon a petition signed by Co-Owners holding at least twenty percent (20%) of the total voting

power of the Association and having been presented to the Secretary. A notice of any special meeting shall state the time and place of such meeting and the purpose or purposes thereof. No business shall be transacted at a special meeting except as stated in the notice. If a Co-Owner intends to raise a matter at a special meeting, said Co-Owner shall submit such request in writing to the Secretary or President at least ten days before the date notice is to be mailed to the Co-Owners in order for such matter to be included in the Notice of Special Meeting.

Section 5. FIRST MEETING. The first meeting of the Association shall be held within one hundred twenty (120) days from the date that seventy-five (75%) percent of the Units in the Regime, as defined in the Master Deed, have been conveyed by the Declarant to individual Co-Owners.

Section 6. NOTICE OF MEETINGS. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purposes thereof as well as the time and place where it is to be held, to each Co-Owner of record, at least fifteen (15), but not more than forty-five (45) days prior to such meeting. The mailing of a notice in the manner provided in this Section 6 shall be considered notice served. The notice of meeting shall include any matters the Co-Owners intend to raise at the meeting if a request is submitted to the Secretary or President in writing at least ten (10) days prior to notice being mailed, which request sets forth the matters to be raised.

Section 7. ADJOURNED MEETING. If any meeting of the Association cannot be organized because a quorum has not attended, the Co-Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called. The time, date, and place of the meeting shall be set and announced before adjournment of the first meeting. Upon the reconvening of said meeting a quorum shall be constituted if Co-Owners holding at least 33% of the total value of the property in accordance with the percentages assigned in the Master Deed are present in person or by proxy at said reconvened meeting.

Section 8. ORDER OF BUSINESS. The order of business at all Annual Meetings of the Association shall be as follows:

- (a) Roll Call.
- (b) Proof of Notice of Meeting or Waiver of Notice.
- (c) Reading of Minutes of Preceding Meeting.
- (d) Reports of Officers.
- (e) Reports of Committees.
- (f) Election of Inspectors of Election.
- (g) Election of Directors.
- (h) Unfinished Business.
- (i) New Business.

The order of business at a Special Meeting of the Association shall include items (a) through (d) above, and thereafter, the agenda shall consist of the items specified in the notice of meeting.

Section 9. RECORD DATE. The Board of Directors shall fix a record date for determining Co-Owners entitled to notice of and 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 10. WAIVER AND CONSENT. Whenever the vote of Co-Owners of a meeting is required or permitted by any provision of these By-Laws to be taken in connection with action of the Association, the meeting and vote of Co-Owners may be waived if a majority of Co-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; however, notice of such action shall be given to all Co-Owners, unless all Co-Owners participated in the approval of such action.

Further, any Co-Owner may waive any notice of meeting required by these By-Laws if the waiver is submitted in writing, signed by the Co-Owner entitled to notice, and delivered to the Association prior to the date of the meeting. A Co-Owner's attendance at a meeting waives objection to lack of notice or defective notice of the meeting unless the Co-Owner, at the beginning of the meeting, objects to holding the meeting or transacting

business at the meeting. Further, a Co-Owner's attendance at a meeting waives objection to considerations of a particular matter at the meeting that is not within the purpose described in the notice for the meeting, unless the Co-Owner objects to the consideration of the matter at the time when it is presented at the meeting.

Section 11. **MEMBERSHIP LIST.** After a record date for a notice of meeting has been fixed by the Board of Directors, a complete list of Members of the Association shall be prepared by the Secretary-Treasurer. 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 day after notice is given of the meeting for which the list was prepared and continuing through the meeting.

Section 12. **RULES OF ORDER.** Roberts Rules of Order (latest edition) shall govern the conduct of the Association's meetings when not in conflict with the Master Deed or these By-Laws.

ARTICLE IV BOARD OF DIRECTORS

Section 1. **NUMBER AND QUALIFICATION.** The affairs of the Association shall be governed by a Board of Directors (hereinafter referred to as the "Board") comprised of from three (3) to five (5) persons. Until succeeded by the Board members elected by the Unit Owners, members of the Board of Directors need not be Unit Owners. So long as the Declarant (as defined in the Master Deed) owns one or more Units and/or the Future Phase Property, the Declarant shall be entitled to elect at least one member of the Board of Directors, who need not be a Unit Owner. After the Declarant has conveyed all Units and is no longer entitled to elect one member of the Board of Directors, all Board members shall be Unit Owners.

Section 2. **GENERAL POWERS AND DUTIES.** The Board 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 these By-Laws, directed to be executed and done by the Association or individual Co-Owners.

Section 3. **SPECIFIC POWERS AND DUTIES.** In addition to the general powers and duties referenced above, duties imposed by these By-Laws, or by resolutions of the Association, the Board shall be responsible for the following:

(a) Compliance with all of the terms and conditions of the Master Deed and any amendments thereto and enforcement of same.

(b) Care, upkeep and surveillance of the Property and the Common Elements.

(c) Collection from the Co-Owners (excluding the Declarant), at the time of the closing of the initial sale of each Unit, at least two (2) month's estimated Common Expense assessments for the purpose of establishing a working capital fund for the Association. These funds shall be maintained for the use and benefit of the Association. Co-Owners are not entitled to reimbursement of the working capital fund from the Association upon the sale of their unit.

(d) Establishment of the annual budget. The budget shall be distributed by the Board to all Members of the Association at least thirty (30) days in advance of its effective date and at least thirty (30) days in advance of the Association's Annual Meeting. Notwithstanding the responsibilities and authority of the Board, the budget may be modified by the Association at the Annual Meeting or a Special Meeting of the Association by a two-thirds (2/3) vote of the Co-Owners present at such meeting, in person or by proxy.

(e) As a part of the annual budget described in (d) above, establishment and maintenance on behalf of the Association of an adequate reserve fund for periodic maintenance, repair and replacement of improvements to the Common Elements.

(f) Employment, dismissal and control of the Management Agent (defined in Section 4 of this Article IV) and any personnel necessary for the maintenance and operation of the Common Elements.

(g) Collection of all assessments and fees from the Co-Owners, including, at the Board's discretion and with approval from the governing Board of Leamington Owners' Association, Inc., all Leamington Owners' Association, Inc. assessments to be paid over to said Leamington Association.

(h) Establishment and collection of regular and special assessments including those pursuant to Section 14 of ARTICLE VII *infra*, relating to the Beach Renourishment Fund and those resulting from the provisions of Section 7.3 of the Master Deed.

(i) Performing repairs caused by any natural disaster or man-made damage using funds from the reserve account and any special assessment, or causing the same to be done.

(j) Obtaining of insurance for the Property, pursuant to the provisions hereof and the provisions of the Master Deed, or causing the same to be done as set forth in ARTICLE VIII hereof.

(k) Grant or relocate easements which are not inconsistent with the owners' full use and enjoyment of the common properties and Limited Common areas "O" and "F".

(l) Making of, or causing to be made, repairs, additions and improvements to or alterations of, the Property and repairs to and restoration of the Property in accordance with the other provisions of these By-Laws.

(m) To make available, for inspection, upon request during normal working hours or under other reasonable circumstances, to Unit Owners, the holders, insurers or guarantors of any first mortgage on any Unit, current copies of the Master Deed, By-Laws, other Rules or Regulations pertaining to the Association, and the books, records and financial statements of the Association.

(n) To adopt and implement a policy regarding resale of units within the Regime, the purpose of said policy to assist owners to provide timely information to prospective buyers while not burdening the Association financially.

(o) To establish procedures, rules and create committees (including an architectural review committee) for the review and processing of any plans of Unit Owners to improve their units pursuant to Section 5.10, Limited Common Elements pursuant to Section 7.3 of the Master Deed.

Section 4. MANAGEMENT AGENT. The initial Management Agent shall be Sand Dollar Management, LLC, Post Office Box 5606, Hilton Head Island, South Carolina 29938, an independent professional management company not affiliated with the Declarant, whose contract extends for a period of one (1) year from the establishment of the Regime. Thereafter, the Board may employ a Management Agent at the compensation established by the Board to perform such duties and services as the Board shall authorize including, but not limited to, the duties listed in Section 3 of this Article. Any such management contracts shall be for a reasonable term and shall contain reasonable provisions regarding the right of the Association to terminate said contracts. Since an independent professional management company is being employed from the outset, and if at any time during the management of the Property by this or some other professional management entity, any decision thereafter by the Association to establish self management by the Association shall require the prior consent of Unit Owners holding sixty-seven (67%) percent of the votes in the Association.

Section 5. BOARD OF DIRECTORS. The first Board of Directors consisting of three (3) members shall be designated by the Declarant at an organizational meeting. These appointments will be temporary and will continue only until the first annual meeting of the Unit Owners held pursuant to the provisions of these By-Laws. At the first Annual Meeting of the Association, the initial term of office for one (1) member of the Board shall be fixed at three (3) years. The term of office of one (1) members of the Board shall be fixed at two (2) years, and the term of office of one (1) member of the Board shall be fixed at one (1) year. At the expiration of the initial term of office of each member of the Board, his successor shall be elected to serve a term of three (3) years. The members of the Board shall hold office until their successors have been elected and hold their first meeting. Once the Phase III Building has been added to the Regime, and there are eighteen (18) Units, the Board

shall be expanded to five (5) members at the next annual meeting with the two (2) new members initially serving for a one (1) and two (2) year term, respectively, and thereafter the renewal terms shall be three (3) years. 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 6 of this Article. During the period in which the Declarant's designees constitute a majority of the Board of Directors, the Board of Directors shall not enter into any contract having a term which extends beyond the term of the Management Agreement with the Management Agent described in Section 4 above.

Section 6. VACANCIES. Vacancies in the Board of Directors caused by reason other than the removal of a member of the Board by a vote of the Association shall be filled by vote of the majority of the remaining members, even though they constitute less than a quorum; and each person so elected shall be a member of the Board until a successor is elected at the next meeting of the Association.

Section 7. REMOVAL OF MEMBERS OF THE BOARD. At any annual or special meeting of the Association duly called, any one or more of the members of the Board may be removed with or without cause by a majority of Co-Owners and a successor may then and there by elected to fill the vacancy thus created. Any member of the Board whose removal has been proposed to the Association shall be given an opportunity to be heard at the meeting. No Board member shall continue to serve on the Board if during the term of office, he shall cease to be a Unit Owner at such time, said Board member shall either resign or be removed by the Board (except as provided in Section 5 regarding Declarant's appointee). Notwithstanding any other provision contained herein, any member of the Board who was elected by the Co-Owners shall only be removed by the Co-Owners at a meeting where the purpose or one of the purposes, as stated in the Notice of Meeting, is the removal of said Board member.

Section 8. ORGANIZATIONAL MEETING. The first meeting of a newly elected Board shall be held within ten (10) days of election at such place as shall be fixed by the Board at the meeting at which such Board members were elected by the Association, and no notice shall be necessary to the newly elected Board members in order to legally constitute such a meeting, providing a majority of the Board shall be present.

Section 9. REGULAR MEETINGS. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board, but at least one (1) such meeting shall be held each fiscal year. Notice of regular meetings of the Board shall be given by the Secretary-Treasurer or other designated person, to each Board member, personally or by mail, express delivery service such as Federal Express, telephone, telefax or telegraph, at least ten (10) days prior to the day named for such meeting. Telephonic meetings are expressly authorized based upon the likelihood that Board members will be from different geographical locations.

Section 10. SPECIAL MEETINGS. Special meetings of the Board may be called by the President on three (3) days notice to each Board member, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided), and the purpose or purposes of the meeting. Special meetings of the Board shall be called by the President or Secretary-Treasurer in like manner and on like notice on the written request of at least two (2) Board members.

Section 11. WAIVER OF NOTICE. Before or at any meeting of the Board, any member of the Board may, in writing, signed by that Board member, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice and shall be filed with the minutes of the meeting in the corporate records. Attendance at or participation by a Board member at any meeting of the Board shall be a waiver of notice by him of the time, place and purpose thereof unless the Board member, upon arriving at the meeting or prior to a vote on a matter not noticed in conformity with these By-Laws, objects to lack of notice and does not thereafter vote for or assents to the objected action. If all members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 12. ACTION WITHOUT A MEETING. Actions required or permitted by law, the Articles or these By-Laws 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 13. **BOARD QUORUM.** At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business, and acts of the majority of the members present at a meeting at which a quorum is present shall be the acts of the Board. Any or all Board members may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may hear each other simultaneously during the meeting, and directors so participating by this means shall be deemed to be present in person at the meeting. If, at any meeting of the Board, there is less than a quorum present, the majority of the Board members present may adjourn the meeting to another time. At any such adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice. Unless subsequently approved by Co-Owners by an amendment to these By-Laws, proxies shall not be available for either a Board quorum or for voting purposes.

Section 14. **FIDELITY BONDS.** The Board may require that any and all officers and employees of the Regime handling or responsible for Regime funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Regime.

Section 15. **COMPENSATION.** No member of the Board of Directors shall receive any compensation from the Regime for acting as such. However, any Director may be reimbursed for his actual expenses incurred in the performances of his duties.

Section 16. **LIABILITY OF THE BOARD OF DIRECTORS.** 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 Unit Owners 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 Unit Owners 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 Master Deed or of these By-Laws. 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 for the original Board of Directors, who are members of or employed by Declarant to contract with Declarant and affiliated corporations without fear of being charged with self-dealing. It is also intended that the liability of any Unit 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 Elements bears to the interest of all Unit Owners in the Common Elements. Every agreement made by the Board of Directors or by the Managing Agent or by the Manager on behalf of the Association shall provide that the members of the Board of Directors, or the Managing Agent, or the Manager, as the case may be, are acting only as agent for the Unit Owners and shall have no personal liability thereunder (except as Unit Owners), and that each Unit Owners' liability thereunder shall be limited to such proportion of the total liability thereunder as his interest in the Common Elements bears to the interest of all Unit Owners in the Common Elements.

ARTICLE V OFFICERS

Section 1. **DESIGNATION.** The principal officers of the Association shall be a President, a Vice President, and a Secretary-Treasurer all of whom shall be elected by and from the Board. The Board may appoint an Assistant Treasurer and Assistant Secretary, and such other officers as, in their judgment, may be necessary. One person may hold more than one of the aforementioned offices.

Section 2. **ELECTION OF OFFICERS.** The officers of the Association shall be elected annually by the Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. **REMOVAL OF OFFICERS.** Upon an affirmative vote of a majority of the members of the Board, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose. No officer shall continue to serve as such if, during his term of office, he shall cease to be a Unit Owner.

Section 4. **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 office he replaces.

Section 5. **PRESIDENT.** The President shall be the Chief Executive Officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of President of a Regime or incorporated Association, including but not limited to the power to appoint committees from among the Co-Owners from time to time as he may, in his discretion, feel appropriate to assist in the conduct of the affairs of the Association. 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 which may be delegated to him from time to time by the Board of Directors.

Section 6. **VICE PRESIDENT.** The Vice President shall take the place of the President and perform his duties when the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board.

Section 7. **SECRETARY-TREASURER.** The Secretary-Treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board may direct and shall authenticate the records of the Association; and he shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board. He shall, in general, perform all the duties incident to the office of the Secretary and Treasurer.

ARTICLE VI NOTICES

Section 1. **DEFINITION.** Whenever under the provisions of the Master Deed or of these By-Laws notice is required to be given to the Board of Directors, the Management Agent or Unit Owner, it shall not be construed to mean personal notice; but such notice may be given in writing, by first class, certified or registered mail, by depositing the same in a post office or letter box, in a postpaid sealed wrapper, addressed to the Board of Directors, such Manager or such Unit Owners at such address as appears on the books of the Association. Notice shall be deemed given as of the date of mailing.

Section 2. **SERVICE OF NOTICE-WAIVER.** Whenever any notice is required to be given under the provisions of the Master Deed, or law, or of these By-Laws, a waiver thereof, in writing, signed by the person or persons entitled to such notice and delivered to the President or Secretary-Treasurer of the Association, whether before or after the time stated therein, shall be deemed the equivalent thereof.

ARTICLE VII OBLIGATION OF THE CO-OWNERS

Section 1. **ASSESSMENTS FOR COMMON EXPENSES.** All Co-Owners shall be obligated to pay the periodic assessments imposed by the Association to meet all Association Common Expenses, and/or specific Limited Common Element expenses as described in the Master Deed, which shall include, among other things, liability insurance policy premiums and an insurance policy premium to cover repair and reconstruction work in case of hurricane, fire, earthquake and other hazards (hereinafter sometimes referred to as "Common Charges," "Common Expenses," and/or "assessments"). The Common Expenses may also include such amounts as the Board may deem proper for the operation and maintenance of the Property and any authorized additions thereto. Such may include without limitation, any amount for general working capital, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the Common Expenses for any prior year. No less than thirty (30) days prior to the Annual Meeting, the Board shall furnish all Unit Owners with a copy of the budget for the next fiscal year and shall likewise advise them of the amount of the Common Charges.

payable by each of them, respectively, as determined by the Board as aforesaid. Declarant will be liable for the amount of any assessment against completed Units within the Association which have not been sold and Declarant shall have all voting rights attendant to the ownership of said unit until said Units are sold. Payment of the periodic assessment shall be in equal monthly or quarterly (as determined by the Board) installments on or before the first day of each month or quarter, as appropriate, or in such other reasonable manner as the Board shall designate.

Notwithstanding the forgoing, the Board also has the power and authority to levy assessments against individual Unit Owners appertaining to said Unit Owner's Limited Common Elements or Unit itself, such as for the purposes set forth in Sections 7.3 or 5.6 (b) of the Master Deed. For purposes of enforcement rights, etc. these shall likewise be considered "assessments" or "Common Expenses".

The transfer of ownership of an individual Unit within the Association shall carry with it the proportionate equity of that Unit's ownership in the Association operating escrow, working capital or reserve accounts set aside to provide a contingency fund for the maintenance and repair of the Association Property. Transfer of ownership and resignation or termination as a Co-Owner of the Association shall not relieve the Co-Owner from any obligations the Co-Owner may have to the Association as a result of obligations incurred or commitments made before resignation or termination.

Section 2. ASSESSMENTS TO REMAIN IN EFFECT UNTIL NEW ASSESSMENTS MADE.

The omission by the Board of Directors before the expiration of any year, to fix the assessments hereunder for that or the next year, shall not be deemed a waiver or modification in any respect of the provisions of the Master Deed and By-Laws or a release of any Owner from the obligation to pay the assessments, or an installment thereof for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed by the Board at a duly held Board meeting. Amendments to this paragraph shall be effective upon unanimous written consent of the Owners and their mortgagees. No Owner may exempt himself from liability for his contribution towards the Common Expenses by waiver of the use or enjoyment of any of the General or Limited Common Elements or by abandonment of his Unit.

Section 3. RECORDS. The Management Agent or Board of Directors shall keep detailed records of the receipts and expenditures affecting the General and Limited Common Elements and any other expenses incurred. Records and vouchers authorizing the payments involved shall be available for examination by the Owner during reasonable business hours.

Section 4. DEFAULT IN PAYMENT OF COMMON EXPENSES (ASSESSMENTS). The Board shall take prompt action to collect any common expense due from any Unit Owner which remains unpaid for more than thirty (30) days from the due date for payment thereof. In the event of default by any Unit Owner in paying to the Board the Common Expenses as determined by the Board, such Unit Owner shall be obligated to pay a late charge of one and one-half (1½%) percent of the delinquent amount per month on such unpaid Common Expenses from the due date thereof, together with all expenses, including attorney's fees, incurred by the Board in any proceeding brought to collect such unpaid Common Expenses. The Board shall have the right and duty to attempt to recover such Common Expenses, together with interest thereon, and the expenses of the proceeding, including attorney's fees, in an action to recover the same brought against such Unit Owner, or by foreclosure of the lien on such Unit granted by Section 27-31-210, Code of Laws of South Carolina, 1976. With regard to the subordinate nature of such liens as it relates to mortgages recorded prior to the recording of any evidence of such lien, the provisions of Section 27-31-210, Code of Laws of South Carolina, 1976, as amended, shall be controlling.

Section 5. STATEMENT OF COMMON EXPENSES. The Board shall, for a reasonable fee, promptly provide any purchaser, Unit Owner, mortgagee or prospective mortgagee of a Unit so requesting the same in writing, with a written statement of all unpaid Common Expenses due from the Owner of that Unit and the purchaser's liability therefor shall be limited to the amount as set forth in the statement. Any mortgagee holding a lien on a Unit may pay any unpaid Common Expenses payable with respect to such Unit and upon such payment such mortgagee shall have a lien on such unit for the amounts paid of the same rank as the lien of his encumbrance.

Section 6. STATEMENT UPON RESALE. Any Unit may be conveyed by an Owner free of any restrictions except for those set forth herein, except that no Owner shall convey, sell, or lease his Unit unless and until all unpaid Association expenses assessed against the Unit shall have been paid as directed by the Board of Directors. Such unpaid Association expenses, however, may be paid out of the proceeds from the sale of a Unit or by the grantee. Upon the written request of an Owner or Owner's prospective buyer, the Board or the Management Agent shall furnish a written statement of the unpaid charges due from such Owner which shall be conclusive evidence of the payment of amounts assessed prior to the date of the statement, but unlisted thereon. Further, the Association shall undertake to provide copies of these By-Laws or other materials described by the Association upon the written request of a Co-Owner in connection with the sale or lease of their Unit. A reasonable charge may be made by the Board for the issuance of statements and other materials.

The provisions of this Section shall not apply to the acquisition of a Unit by a mortgagee who shall acquire title to such Unit by foreclosure or by deed in lieu of foreclosure. In such event, the unpaid assessments against the Unit which were assessed and became due prior to the acquisition of title to such Unit by such mortgagee shall be deemed waived by the Association and shall be charged to all other Co-Owners of the Association as a Common Expense. Such a provision shall not, however, apply to any assessments which are assessed and become due after the acquisition of title to such Unit by the mortgagee and to any purchaser to such mortgagee.

Section 7. MAINTENANCE AND REPAIR.

(a) Each Co-Owner must perform work within his own Unit, which, if omitted, would affect the Property in its entirety or in a part belonging to another Co-Owner, being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of the Units and of those items described in Section 5.6 of the Master Deed, and of all other accessories and Limited Common Elements appertaining or belonging to the Unit shall be at the expense of the Co-Owner.

(c) All maintenance, repair and replacement to the Common Elements as defined in the Master Deed, unless otherwise provided in the Master Deed, shall be made by the Board or its agent and shall be charged to all the Unit Owners as a Common Expense, excepting to the extent that the same may be necessitated by the negligence, misuse or neglect of the Unit Owner, in which such case the expense shall be charged to such Unit Owner.

Section 8. UTILITIES.

(a) WATER AND SEWER CHARGES. Water and sewer services may be supplied to all Units through individual separate meters or by one or more shared meters by the Broad Creek Public Service District, or its successors, (the "District"). Water and sewer services, as applicable, for the Common Elements shall be supplied by one or more meters. Each Owner shall be required to pay for all charges for water consumed and sewer services in his Unit and to the Common Elements, promptly after the bills for the same have been rendered. The Board and each Owner shall conform to the billing procedures established by the District, and shall pay the regular and excess usage fees on either on the statutory percentage method (i.e. as a Common Expense) or on an equal Unit by Unit basis or in combination thereof, dependent upon the billing methodology in effect for the District.

(b) ELECTRICITY/GAS. Electricity shall be supplied by the public utility company serving the area directly to each Unit through a separate meter and each Unit Owner shall be required to pay the bills for electricity consumed or used in his Unit. The electricity serving the Common Elements shall be separately metered, and the Board shall pay all bills for electricity consumed in such portions of the Common Elements, as a Common Expense. In the event propane gas tanks are located in the Common Elements and shared by Unit Owners, the cost of same shall be a Common Expense and therefore shared by the Co-Owners in accordance with their percentage interest.

(c) CABLE TELEVISION/SATELLITE COMMUNICATIONS. Except with the prior written approval of the Board of Directors, its Management Agent, or a Board designated Committee, which approval shall not be unreasonably withheld, no outside television or radio aerial or antenna, satellite dish, or other device, for the reception or transmission of radio or television, or other electronic signals, shall be erected or maintained on any Unit or upon the exterior of any Unit, Common Element or the Limited Common Elements appurtenant to any Unit. The Board of Directors or its Management Agent, or its designated Committee, may approve any applications for the installation of such devices so long as the application indicates that the installation is for the personal use of the Owner, and either (a) the device shall not be visible from neighboring Units, streets or common areas; or (b) the Unit Owner, prior to installation, has received the written consent of all of the Owners of all Units who would have views of the installation from their Units; (c) and all other private and public approvals, as applicable, have been obtained. In approving such applications, the Board of Directors, its Management Agent, or its designated Committee shall have the power to require such specific forms of placement of the device as it deems appropriate in order to effectuate the intent of this Section 8(c) that such devices be as inoffensive as possible to other Owners and Residents. All installations must comply with local zoning requirements and building codes, if applicable. Any Owner requesting such a device may be required to pay a reasonable charge to the Association for the reviewing of such Application by the Board, its Management Agent, or its designated Committee. Further, the Owner shall be required to pay the installation costs for installing such device and to pay any bills associated with such Owner's use of the device.

The Board may approve the use of such devices to serve the Common Elements and the Board shall pay all costs of installation and bills for use of such devices in such portions of the Common Elements as a Common Expense.

It is noted that any actions taken pursuant to this Section 8(c) shall be subject to the terms and provisions of the Leamington Covenants.

Section 9. USE OF UNITS - INTERNAL OR EXTERNAL CHANGES. A Co-Owner may make internal structural modifications or alterations in his Unit or installations located therein subject to Section 5.10 of the Master Deed, to the Limited Common Element area subject to Section 7.3 of the Master Deed. If any changes as described herein are approved by the Board, the Co-Owner requesting such change shall be totally financially responsible for the cost of such change and the incurred costs, if applicable, of the maintenance and repair of such change and/or the insurance coverage for such change. The Board, through its agent, may include this additional maintenance and/or insurance cost in the periodic assessment for the Unit in question.

Section 10. USE OF COMMON ELEMENTS. Except as authorized by Section 7.3 of the Master Deed, a Co-Owner shall not place or cause to be placed in the passages, parking areas, roads, or other common areas any furniture, packages or obstructions of any kind. Such areas shall be held in common for the enjoyment of the Co-Owners and shall be used for no other purpose than for normal transit through or use of them and for normal vehicular parking.

Section 11. RIGHT OF ENTRY.

(a) A Co-Owner shall grant the right of entry to the Management Agent or to any person authorized by the Board in case of any emergency originating in or threatening his Unit, whether the Co-Owner is present at the time or not.

(b) A Co-Owner shall permit other Co-Owners, or their representatives, when so required, to enter his Unit for the purpose of performing installations, alterations, or repairs to the mechanical or electrical services, provided that such requests for entry are made in advance and that such entry is at a time convenient to the Co-Owner. In case of emergency, the right of entry shall be immediate.

Section 12. RULES OF CONDUCT. In order to assure the peaceful and orderly use and enjoyment of the units and Common Elements of the Association, the Co-Owners may from time to time adopt, modify, and revoke in whole or in part by a vote of the Members present in person or represented by proxy whose aggregate interest in the Common Elements constitutes two-thirds of the total interest, at any meeting duly called for the purpose, such reasonable rules and regulations, to be called Rules of Conduct, governing the conduct of persons

on said property of the Association as it may deem necessary. Such Rules of Conduct, upon adoption, and every amendment, modification, and revocation thereof, shall be delivered promptly to each Owner by posting same with postage prepaid addressed to the Owner at the last registered address of the Owner and shall be binding upon all Unit Owners and the occupants of Units in the Regime. The following shall constitute the initial Rules of Conduct for the Regime:

(a) Residents shall exercise extreme care to avoid unnecessary noise or the use of musical instruments, radios, televisions and amplifiers that may disturb other residents.

(b) No Co-Owner shall:

(1) Post any advertisements or posters of any kind in or on the Property except as authorized by the Association;

(2) Hang garments, towels, rugs, or similar objects from the windows or balconies or from any of the facades of the Property;

(3) Clean dust mops, rugs or similar objects from the windows or balconies by beating on the exterior part of the Property;

(4) Throw trash or garbage outside the disposal installation provided for such purpose in the service areas;

(5) Act so as to interfere unreasonably with the peace and enjoyment of the residents of the other Units in the Property;

(6) Maintain any pets which cause distress to Co-Owners through barking, biting, scratching or damaging of property.

(7) Operate, park, or store on the Property any recreational vehicles, motor homes, motorcycles, mopeds, trucks, trailers, commercial vans or boats.

(c) No Co-Owner, resident, or lessee shall install wiring for electrical or telephone installations, television or radio antenna, air conditioning fixtures, or similar objects outside of his dwelling or which protrudes through the walls or the roof of his Unit except as authorized by the Board and where appropriate, subject to Section 8(c) of this Article VII.

Section 13. ABATEMENT AND ENJOINMENT OF VIOLATIONS BY UNIT OWNERS. The violation of any rules or regulations adopted by the Board or the breach of any By-Laws contained herein, or the breach of any provisions of the Master Deed, shall give the Board the right, in addition to any other rights set forth in these By-Laws: (a) to enter the Unit in which or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition, that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach and to recover the cost of such enforcement, including attorneys' fees, and until such expense is recovered it shall be a lien upon said Unit which lien shall be inferior to the lien of all prior mortgages.

Section 14. BEACH RENOURISHMENT AND EROSION ABATEMENT TRUST FUND. The Regime is located on property which is adjacent to the beach areas of the Atlantic Ocean. Records compiled by the State of South Carolina and the South Carolina office of Coastal Resource Management which have been regularly reported in newspapers and in public documents have documented the problem of continuing erosion of beaches on the Atlantic Coast, including those of South Carolina and Hilton Head Island. The gradual rising of the waters of the Atlantic Ocean over the past several centuries at the approximate rate of one foot per century has contributed, along with tidal currents, to the transport of sand in a southward direction along the Shorefront of Hilton Head Island.

The most probable effective means of protecting the aforementioned beach areas from excessive loss due to this gradual erosion phenomenon and the most probable means of re-establishing areas damaged in hurricanes and storms is through the renourishment of the shore by moving in replacement sand, by dredging, from offshore or from elsewhere and by other devices including a pan scraping program. A Regime Beach Renourishment Trust Fund is established whereby the Association may finance beach renourishment, erosion control or erosion abatement programs, and transport sand from areas offshore and elsewhere to the beachfront areas of the Regime to rebuild areas which may be lost due to erosion, at the expense of the Association. Such programs may be carried out by the Association directly acting solely on its own behalf for Regime property only, or in cooperation with similar programs carried on contemporaneously with adjacent property owners, or in association with the Town of Hilton Head Island ("Town"), the Broad Creek Public Service District ("District") and/or other public agencies and/or joint ventures between private enterprises and public agencies. The Association may cooperate with Declarant, current owner of other oceanfront property, and with any property owners association established by the Declarant to carry on beach renourishment, erosion control, erosion abatement and other activities for land contiguous to the Regime area.

The Board of Directors may authorize the Town, the District or representatives of any private or public enterprise engaging in beach renourishment, erosion control, or erosion abatement programs to enter onto property of the Regime for purposes of performing any grading or landscaping work or construction and maintaining erosion devices; provided, however, that prior to exercising any of these rights to enter upon the property for the purpose of performing any grading or landscaping work, the Association established hereby shall be given an opportunity to take any corrective action required at its own initiative.

In order to establish a fund for use in beach renourishment, erosion control or erosion abatement programs, the Board of Directors determine to collect in addition to those Common Expenses hereinafter set forth, not more than an average of Two Hundred Fifty (\$250.00) Dollars per Unit per year. (The actual assessment per Unit will be based upon the Unit's statutory percentage). This amount may be increased or decreased with the approval of a majority vote of the Board of Directors of the Association. The initial implementation of collection for this fund shall be at the Board's discretion.

These funds are hereby specifically designated for beach renourishment, erosion control, or erosion abatement programs, and may be used by the Board of Directors to fund a beach renourishment, erosion control, or erosion abatement program. Such program may be carried out by the Association directly, acting solely on its own behalf, or in cooperation with similar programs carried on contemporaneously with adjacent property owners, including Declarant, or by appropriate governmental authority. Should the Town, the District or other public or private body undertake a taxing or an assessment program which provides for full adequate funds to sustain the beachfront areas of the District, to provide, on a periodic basis for beach renourishment, erosion control or erosion abatement of any areas which may be lost to erosion, then, under such circumstances, after the erosion program has been implemented, during the time of such implementation, the Board of Directors may waive the collection of this private erosion control fund assessment.

In the event no cooperative program has been established among adjacent beachfront property owners and no effective erosion renourishment, erosion control or erosion abatement programs have been instituted by the aforementioned public or private agencies, but nonetheless, the Board of Directors determines that the Palmetto Dunes beachfront properties are being subjected to serious erosion due to natural causes, the Board of Directors may, acting solely and only for the Association institute such reasonable and effective efforts as its beach erosion control, renourishment and engineering counselors recommends to safeguard and protect, to the reasonable practical extent consistent with the available funds in the escrow account, the protection and renourishment of the beachfront areas.

All funds collected by the Board of Directors in accordance herewith shall be placed in escrow either in a private account maintained by the Association, or as part of a common escrow fund maintained under the co-direction of the Association and other neighboring property ownership interests as part of an area wide beach renourishment, erosion control and beach erosion program fund. If at any time after the establishment of the beach renourishment trust fund described herein, the Board of Directors shall have determined that there has been no significant erosion during the preceding six years, then, until, such time as a clear need for the funds shall

reoccur, the Board of Directors may suspend further collection of the beach renourishment portion of the annual assessment. All funds previously collected shall be retained by the Association in the aforesaid account, provided that upon approval of Co-Owners owning seventy-five (75%) percent of the interests in the Common Elements at any regular or special meeting of the Association, the funds may be used for the payment of any other Common Expenses.

Neither the Declarant nor the Association shall have responsibility to maintain beach renourishment, erosion control or erosion abatement programs or to expend funds in repair of damages due to storms or other activities beyond the use of the trust fund established pursuant to this provision.

The Board of Directors or its members shall not personally be liable for any errors of judgment made in assessing the beach renourishment, erosion control, or erosion abatement needs, it being recognized that the rate, timing, nature and extent of beach erosion and the proper means of combating beach erosion is an area in which there is wide area of disagreement as to fact and procedure among qualified scientists, engineers and research agencies.

Section 15. FISCAL YEAR. The fiscal year for the Association shall begin on the 1st 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 16. LITIGATION. No judicial proceeding shall be commenced or prosecuted by the Association unless approved by a vote of seventy-five percent (75%) of the votes eligible to be cast by the Owners. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided herein; (c) proceedings involving taxation, including, e.g., challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. In the event any litigation is instituted, then the Association shall assess all Owners for the costs of litigation, including, without limitation, attorneys' fees incurred, and funds from regular assessments shall not be used for any such claim or litigation; provided, however, that this 75% threshold requirement may be eliminated by the Board at any time after January 1, 2015.

ARTICLE VIII INSURANCE

The Board of Directors shall be required to obtain and maintain, as set forth below, in forms and amounts as hereinafter prescribed and which are also satisfactory to any mortgagee holding mortgages on five or more units, the following insurance, without prejudice of the right of the Co-Owner to obtain additional individual insurance at his own expense:

Section 1. HAZARD INSURANCE. The Board of Directors shall insure the Property, as it may be constituted from time to time, against loss or damage due to fire, windstorm, lightning, and flood, with extended coverage, in an amount not less than the maximum insurable replacement value of the Property as determined by the Board upon recommendation made by the Regime's insurer, (it being understood that the Board, at its discretion, may have an appraisal made of the Property for this purpose), or in the amount reasonably obtainable as it relates to the flood coverage. The Board of Directors shall have the authority also to insure against other hazards and risks as it may deem desirable for protection of the Property. All hazard insurance shall cover the entire Property, exclusive only of the contents and furnishings of the individual Units. If customary at the time, those items and materials described in Section 5.5(b) of the Master Deed as being part of the Unit, may be insured as part of the Property.

(a) All hazard insurance policies obtained by the Board of Directors shall designate the Board of Directors as the named insured as Insurance Trustee for the benefit of all the Owners and their mortgagees collectively, as their respective interests may appear. In the event of loss or damage, all insurance proceeds shall be paid jointly to the Board of Directors as Insurance Trustee under the provisions of this Master Deed and

to any mortgagee holding mortgages on five or more units, it being understood and acknowledged that the distribution of such proceeds shall be controlled by the Horizontal Property Act and the provisions of this Master Deed.

(b) All hazard insurance policies obtained by the Board of Directors shall provide for the issuance of Certificates of Insurance to each Unit Owner. Each Certificate shall evidence the issuance of the Master Policy and shall indicate the amount of insurance covering the building within which the respective Unit is located. If a Unit is mortgaged, a Certificate of Insurance shall be issued to the mortgagee bearing a standard mortgagee endorsement, if requested.

(c) If obtainable, all hazard insurance policies upon the Property shall include provisions waiving (i) any rights of the insurer to subrogation against the Association, its agents and employees, and against the individual Owners and their servants, agents, and guests; and (ii) any rights of the insurer to contribution from hazard insurance purchased by the Unit Owner upon the contents and furnishings of their Units.

(d) Each mortgagee of which the Board has notice as herein provided shall be entitled to receive, upon request, a statement of the replacement value as determined herein this Section 1. If any such mortgagee disagrees with the values assigned to the Property by such determination and presents an appraisal prepared at such mortgagee's expense showing higher values which has been performed by a qualified appraiser, then the Board shall either adopt the higher value or shall cause a reappraisal to be made by a qualified appraiser approved by the Board and by the appraisers who conducted the prior appraisals and the findings of the third appraiser shall be conclusive to determine such value for insurance purposes.

(e) Each hazard insurance policy shall contain a loss payee provision designating the interest of the various mortgagees as to the various Units within the Regime which are covered by the Master Policy. Such policies shall also provide that they shall not be canceled without giving thirty (30) days prior written notice to all such mortgagees about which the insurer has been given written notice.

Section 2. PUBLIC LIABILITY INSURANCE. The Board of Directors shall obtain comprehensive public liability insurance with limits and provisions as it deems desirable and as may be obtainable. All such policies shall contain severability of interest clauses or endorsements extending coverage to liabilities of the Association to an individual Unit Owner and to liabilities of one Unit Owner to another Unit Owner.

Section 3. WORKMEN'S COMPENSATION INSURANCE. The Board of Directors, as necessary, shall obtain Workmen's Compensation Insurance to meet the requirements of law.

Section 4. PREMIUMS. All premiums upon insurance policies purchased by the Board of Directors shall be assessed as Common Expenses to be paid by the Unit Owners through periodic assessment as herein provided.

Section 5. ADJUSTMENT. Each Unit Owner shall be deemed to have delegated to the Board of Directors his right to adjust with insurance companies all losses under policies purchased by the Association, subject to the rights of mortgagees of such Unit Owners.

Section 6. INSURANCE BY UNIT OWNERS. Each Unit Owner shall be responsible for obtaining, at his sole expense, insurance covering the personal property, wall coverings, decorations, and furnishings within his own Unit and the additions and improvements made by him to the Unit. (Typically referred to as an HO-6 Policy). Each Unit Owner shall also be responsible for obtaining, at his own expense, insurance covering his liability for the safety of the premises within his Unit and on the Limited Common Area O, specifically the pool area. All such insurance policies shall include, however, provisions waiving (i) any right of the insurer to subrogation claims against the Association and against individual Unit Owners, as well as their agents, servants, employees, and guests; and (ii) any right of the insurer to contribution or proration because of the master hazard policy.

As set forth in Section 5.6 and 7.3 of the Master Deed, the Co-Owner is responsible for any damage to his Unit or another Unit caused by his negligent action or inaction. If a claim is made against the Association's policy

as a result of such negligence by a Co-Owner, then the Board may make a determination to assess any non-reimbursable expenses, such as the deductible, attorney's fees, and the like, against the negligent Co-Owner, and such assessment shall be collectible just as any other assessment described in Section 1 of Article VII.

Section 7. DISTINCTION ON OWNER'S COVERAGE AND REGIME COVERAGE. As reflected above, both the Association and the Co-Owner has certain insurer's responsibilities. The Board, acting through the Management Agent, shall have the discretion to balance competing interests of said insurers, should such an occasion arise. Each Co-Owner shall, upon request, provide to the Management Agent, the name and address of his insurer.

Section 8. SUBSTITUTION OF INSURANCE TRUSTEE. The Board of Directors, in its discretion, may decline to serve as Insurance Trustee and may appoint in its place any financial institution which is qualified and willing to act as Trustee and which also has offices in Beaufort County, South Carolina. Any substitute Insurance Trustee appointed by the Board of Directors shall succeed to all of the powers and responsibilities vested in the Board as Insurance Trustee under the terms of this Master Deed.

ARTICLE IX RECONSTRUCTION AND REPAIR

Section 1. PROCEDURE. In the event of casualty loss or damage to the Property, the Board of Directors shall be responsible for applying the proceeds of all casualty insurance to the repair or reconstruction of the Property in accordance with the provisions of this ARTICLE IX. Reconstruction or repair shall be mandatory unless otherwise provided in the Act, as amended from time to time, or unless seventy-five (75%) percent or more of the Unit Owners vote, at a duly authorized meeting, not to reconstruct. In situation where reconstruction or repair is not to be undertaken, the insurance indemnity received by the Board of Directors shall be distributed pro-rata to the Unit Owners and their mortgagees jointly in proportion to their respective statutory interests. The remaining portion of the Property shall be subject to an action for partition at the suit of any Unit Owner or lienor as if owned in common. In the event of suit for partition, the net proceeds of sale, together with the net proceeds of insurance policies, shall be considered one fund and distributed pro-rata among all Unit Owners and their mortgagees jointly in proportion to their respective statutory interests. In the situation where reconstruction or repair is undertaken, then such Property shall be repaired in the following manner:

(a) Any reconstruction or repair must follow substantially the original plans and specifications of the Property (to be provided by Declarant to the Management Agent and a portion of which are referenced on Exhibit "B" to the Master Deed) unless the Unit Owners holding seventy-five percent (75%) or more of the total interest in Common Elements and their mortgagees, if any, vote to adopt different plans and specifications and all Owners whose Units are being reconstructed or repaired unanimously consent to the adoption of such different plans and specifications. The approval of such plans by Declarant shall likewise be required.

(b) The Board of Directors shall promptly obtain estimates of the cost required to restore the damaged property to its condition before the casualty occurred. Such costs may include such professional fees and premiums for bids as the Board of Directors deems necessary.

(c) If the insurance proceeds paid to the Board are insufficient to cover the cost of reconstruction, the Association may use funds out of its reserve or replacement accounts, and, if still not sufficient, then the Association shall levy and collect an assessment against all Owners in an amount which shall provide the funds required to pay for the repair, replacement or reconstruction.

(d) The insurance proceeds received by the Board of Directors and the mortgagees, and any special assessments collected to cover a deficiency in insurance shall constitute a construction fund from which the Board of Directors and the mortgagees, shall disburse payment of the costs of reconstruction and repair. The first disbursements from the construction fund shall be insurance proceeds; and if there is a balance in the fund after payment of all costs of reconstruction and repair, it shall be distributed to the Unit Owners who paid special

assessments in proportion to their payments. Any balance remaining after such distribution shall be retained by the Association.

Section 2. **POWER OF ATTORNEY.** In the event of casualty loss or damage to the Property the provisions of this Article of the Bylaws shall govern matters pertaining to reconstruction and repair, provided, however that the following specific provisions shall be applicable: In light of the primary and/or secondary home concept of the Townhomes at South Shore, and in order to assure the reconstruction and repair of the Property in the event of substantial casualty loss or damage, each Owner shall be deemed, by acceptance of a deed to a Unit, to have thereby delivered an irrevocable limited proxy and irrevocable limited power of attorney, on behalf of that Owner and his or her heirs, personal representatives, successors and assigns, vested in whomever shall hold the office of secretary of the Association from time to time. The irrevocable limited proxy and the irrevocable limited power of attorney coupled with an interest shall authorize the secretary to cast all votes in the Association appertaining to each Owner's Unit in favor of reconstruction and repair of the Property in the event that two-thirds (2/3) or more of the Property is destroyed or substantially damaged and in the event such a vote is required under the Act. The secretary of the Association shall have the responsibility to vote in favor of reconstruction or repair in such event. Every mortgagee shall be deemed, by acceptance of a mortgage to a Unit, to have thereby consented to such reconstruction or repair of the property.

ARTICLE X INSURANCE TRUST

In the event of casualty loss to the Property, all insurance proceeds indemnifying the loss or damage shall be paid to the Board of Directors as Insurance Trustee. The Board of Directors, acting as Insurance Trustee, shall receive and hold all insurance proceeds in trust for the purposes stated in this ARTICLE X, and for the benefit of the Association, the Unit Owners, and their respective mortgagees in the following share:

(a) Insurance proceeds paid on account of loss or damage to the Common Elements only shall be held in the same proportion as the undivided interests in the Common Elements which are appurtenant to each of the Units.

(b) Insurance proceeds paid on account of loss or damage to less than all of the Units, when the damage is to be restored, shall be held for the benefit of Unit Owners of the damaged Units and their respective mortgagees in proportion to the costs of repairing each damaged Unit.

(c) Insurance proceeds paid when the Property is not to be restored shall be held for the benefit of all Unit Owners, and their respective mortgagees the share of each being equal to the undivided share or interest in Common Elements appurtenant to the applicable Unit.

(d) In the event a Certificate of Insurance has been issued to a Unit Owner bearing a mortgagee endorsement, the share of the Unit Owner shall be held in trust for the mortgagee and the Unit Owner as their interests may appear; provided, however, that no mortgagee shall have any right to determine or participate in the determination as to whether any damaged property shall be reconstructed or repaired, and no mortgagee shall have any right to apply or have applied to the reduction of a mortgage debt any insurance proceeds except for insurance proceeds required by the loan documents to be paid jointly to the Unit Owners and their respective mortgagees pursuant to the provisions of the Master Deed.

ARTICLE XI MORTGAGES

Section 1. **NOTICE TO BOARD.** A Co-Owner who mortgages his Unit shall notify the Board through the Management Agent, if any, or the President if there is no Management Agent, of the name and address of his Mortgagee; and the Association shall maintain such information in a book entitled "Mortgages on Units" or in the individual Unit file.

Section 2. **NOTICE TO MORTGAGEE.** The Board shall give reasonable advance written notice of the following events to all mortgagees from which it receives a written request (the term "mortgagee" to include

the holder, insurer or guarantor with respect to any such mortgage). Such written request must identify the name and address of the holder, insurer or guarantor and the Unit number and address:

- (a) Any change in the condominium documents;
- (b) Any unpaid assessments due the Association for over ninety (90) days from the Co-Owner(s) (mortgagor(s)) of the Unit;
- (c) Any default by the Co-Owner (mortgagor) of a Unit in the performance of such Co-Owners' obligations under the Master Deed and associated condominium documents when such default is not cured within sixty (60) days.
- (d) Any notice of special or annual meetings of the Association.
- (e) Any condemnation loss or any casualty loss which affects a material portion of the Project or any Unit on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, as applicable;
- (f) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;
- (g) Any proposed action which would require the consent of a specified percentage of eligible mortgage holders as specified in these By-Laws or in the Master Deed.
- (h) Any proposed change from professional management of the Property to self management of the Property by the Association.

Section 3. STATEMENTS TO MORTGAGEE. Upon written request to the Association from any Mortgagee of which it has notice as herein provided, the Board, Manager or Management Agent shall supply such Mortgagee with a reasonably current financial statement of the Association within a reasonable time of such request.

ARTICLE XII RESTRICTIONS UPON LEASES OF UNITS

No Unit Owner may lease his Unit or any interest therein except for a use consistent with the use provisions of these By-Laws and Covenants said lease shall provide that the terms and conditions of the Master Deed and all exhibits, and the Covenants, shall be complied with by the tenant and that the Association shall have the power to terminate such lease, and bring summary proceedings to evict the tenant in the name of the landlord thereunder in the event of default by the tenant in the performance of said lease, or failure by the tenant to perform an obligation in the Master Deed, By-Laws or the Covenants.

ARTICLE XIII AMENDMENTS

Section 1. REQUIREMENTS FOR AMENDMENTS. Except as provided in the Master Deed, and except where a greater percentage is expressly required, either herein, or by law, these By-Laws may be materially amended only with the consent of the Owners of Units to which at least sixty-seven (67%) percent of the votes in the Association are allocated and the approval of eligible mortgagees from which the Association has received written notice holding mortgages on Units which have at least fifty-one (51%) percent of the votes of Units subject to such mortgages, as it relates to modification of any material provisions of these By-Laws, the Articles of Incorporation or other governing document, which establish, provide for, govern or regulate any of the following:

- (a) Voting;

- (b) Assessments, assessment liens or subordination of such liens;
- (c) Reserves for maintenance, repair and replacement of the Common Elements;
- (d) Insurance or Fidelity Bonds;
- (e) Rights to use of the Common Elements;
- (f) Responsibility for maintenance and repair of the several portions of the Property;
- (g) Expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project except as expressly provided in the Master Deed;
- (h) Boundaries of any Unit;
- (i) The interests in the General or Limited Common Elements;
- (j) Convertibility of units into common areas or of common areas into Units;
- (k) Leasing of Units;
- (l) Imposition of any additional or further right of first refusal or similar restriction on the right of a Unit Owner to sell, transfer, or otherwise convey his or her Unit;
- (m) Any provisions which are for the express benefit of mortgage holders, eligible mortgage holders or eligible insurers or guarantors of first mortgages on Units.

Notwithstanding the foregoing, so long as the Declarant remains the Owner of more than one Unit in this Regime, these By-Laws shall not be amended so as to adversely affect the Declarant without the Declarant's consent.

Section 2. MATERIALITY OF AMENDMENTS; MORTGAGEE APPROVAL PROCEDURE.

An addition or amendment to the By-Laws or Master Deed shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. An eligible mortgage holder who receives a written request to approve additions or amendments who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request and proof of mailing such request in affidavit form, together with an affidavit of non-receipt, shall be sufficient evidence of such approval.

ARTICLE XIV MISCELLANEOUS MATTERS

Section 1. GENDER; NUMBER. The use of the masculine gender in these By-Laws includes the feminine gender, and when the context requires, the use of the singular includes the plural.

Section 2. DEFINITIONS. The definitions contained in Section 4 and elsewhere in the Master Deed also apply to these By-Laws.

Section 3. EXECUTION OF DOCUMENTS. The President or Vice President and Secretary or Assistant Secretary are responsible for preparing, executing, filing and recording amendments to the Master Deed and By-Laws, and shall be authorized to execute any other document which the Association may from time to time be required to execute.

Section 4. NOTICES. All notices required by these By-Laws shall be hand delivered or sent by mail to the Association at the address of the President; to Unit Owners at the address of the Unit or at such other address as may have been designated by such Unit Owner from time to time in writing to the Association. All

notices from or 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 5. **CAPTIONS.** The captions contained in these By-Laws are inserted as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these By-Laws or the intent of any provision of the By-Laws.

Section 6. **INVALIDITY.** The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

Section 7. **CONFLICT.** These By-Laws are set forth to comply with the requirements of the Horizontal Property Act of South Carolina, as amended, and the South Carolina Non-Profit Corporation Act of 1994, and may be amended from time to time. In the event of any conflict between these By-Laws and the provisions of such statutes or the Master Deed, the provisions of such statutes or the Master Deed, as the case may be, shall control.

Section 8. **WAIVER.** No restriction, condition, obligation, or covenant contained in these By-Laws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the violations or breaches thereof which may occur.

(141913.6) 01595-34602

b. Unit C-2

The total heated square footage of this Unit is approximately 4556 square feet; first floor, 1837 square feet; second floor, 1729 square feet; and the third floor, 990 square feet. The C-2 Unit is identical in description to the C-1 Unit until the third floor.

The third floor starts at the Hall (132.0 square feet) and to the left is the Laundry Room (97.0 square feet), while passing the Elevator (20.0 square feet). To the right is Living Area (543 square feet) with a Bath (121 square feet) and four Closets (128 square feet).

The Berkeley Unit Typea. Unit M-1

The total heated square footage of this Unit is approximately 3912 square feet; first floor; 1963 square feet; second floor, 1360 square feet; and the third floor, 589 square feet.

Entering the ground floor at the Garage (1054.10 square feet), the Service Courtyard (40.68 square feet) is on the left. Besides the Stairs (65.81 square feet) to the first floor and the Elevator (16.0 square feet) the remainder of the ground floor is Storage (632.33 square feet).

Upon stepping from the Front Porch (148.27 square feet) into the Entry Hall (199.46 square feet) that extends past the kitchen, dining, and staircase back to the great room; which has access to a Rear Port (458.6 square feet). Off to the left side of the entry hall is the Kitchen (218.5 square feet) which has a breakfast area, cabinets, appliances, and a pass through to the Dining Room (199.7 square feet), located behind the kitchen. The kitchen also accesses a Pantry closet (26.89 square feet). The entry hall ends at a two story Great Room (409.98 square feet), which accesses the Covered Porch (285.92 square feet) and Rear Porch (174.31 square feet). After passing a Hall (20.93 square feet) on the right that leads to the Laundry Room (37.34 square feet), with a washer and dryer, and a Powder Room (35.88 square feet) the entry hall goes past a set of stacked Stairs (67.83 square feet), that lead up from the ground floor and up to the second floor. Where the entry hall terminates at the Great Room is a Hall with an elevator (29.94 square feet); from this hall is access to the Master Bedroom (251.33 square feet). The master bedroom opens up onto the rear porch and the master suite. The master suite has a Wardrobe Closet (94.13 square feet), and a Master Bath (179.91 square feet) with two lavatories, a dressing table, water closet, whirlpool tub, and shower.

After climbing the stair to the second floor one steps into a Hall/Loft (217 square feet), that accesses all the second floor rooms, stairs to the third floor, and looks down into the Great Room. To the right of the staircase is a Hall (31.93 square feet) with an elevator and a door into Bedroom #2 (232.39 square feet). Bedroom #2 has a Wardrobe closet (53 square feet) and Bath #2 (125 square feet) which has two lavatories, whirlpool tub, shower, and water closet. On the left of the staircase and down at the end of the hall is Bedroom #3 (248.47 square feet). Bedroom #3 accesses a Walk in Closet (29.83 square feet) and Bath #3 (48.56 square feet), which has a lavatory, water closet, and tub. Directly across from the stairs and accessible from the left area is a Study (216 square feet).

The third floor starts at the Hall (115.73 square feet) and includes the elevator; at the end of the hall is a Living Area (408 square feet), which accesses a Bath (65 square feet).

EXHIBIT "E"THE TOWNHOMES AT SOUTH SHORE HORIZONTAL PROPERTY REGIMEWALK THROUGH DESCRIPTIONSThe Ashborough Unit Typea. Unit C-1

The total heated square footage of this Unit is approximately 4607 square feet; first floor, 1837 square feet; second floor, 1729 square feet; and the third floor, 1041 square feet.

The ground floor has two garage doors to enter the Garage (1295.60 square feet), in between which lies the Service Courtyard (66.28 square feet). The remainder of the ground floor is the Elevator (10.48 square feet), Stairs (29.0 square feet) to the first floor, and Storage spaces (670.41 square feet).

On the front of the home is a Porch (262.66 square feet) that leads to a center Foyer (118.66 square feet) with a Dining Room (191.44 square feet) on the left, and a Den/Bedroom #2 (182.50 square feet) on the right. Walking forward from the foyer is a Hall (48 square feet) which on the left has a Closet (14.66 square feet), and an Elevator (20 square feet) and Bath #2 (82.19 square feet) on the right. Bath #2 has a lavatory, water closet, and shower. Beyond the hall is a Stair Hall (221.75 square feet) which accesses the stairs coming up from the ground floor, up to the second floor, and the Great Room (399.27 square feet). Adjacent to the left of the stair hall is the Kitchen (148.88 square feet) that has a center island, cabinets, and appliances. The kitchen accesses a Pantry (45.47 square feet), that leads to the dining room, and a Circular Staircase (39.59 square feet) that goes up to the second floor. Located behind the kitchen is a Breakfast Area (128.65 square feet) which has access to a Covered Porch (125.22 square feet) and the Rear Porch (453.70 square feet).

Coming up to the second floor the Master Bedroom (344.25 square feet) with a rear Covered Porch (128.57 square feet) is located on the right. The master bedroom accesses a Master Bath (183.29 square feet), which has two lavatories, whirlpool tub, shower, and water closet; followed by a Master Closet (102.86 square feet). Turning left from the stairs is a Hall (202.63 square feet) flanked by an Elevator (20 square feet) and a Circular stair (14.45 square feet) along with two closets. A Laundry Room (103.33 square feet) is located at the end of the hall with Bedroom #4 (186.25 square feet) on the left and Bedroom #3 (187.50 square feet) on the right. Off of Bedroom #4 is Bath #4 (51.70 square feet) and a Walk in Closet (20.76 square feet), while bedroom #3 has access to Bath #3 (48.81 square feet) and a Closet (13.49 square feet).

The third floor starts at the Hall (132.0 square feet) and leads to the Laundry Room (97.0 square feet), while passing the Elevator (20.0 square feet). To the right is a Living Area (594 square feet) with a Bath (121 square feet) and four Closets (128 square feet).

b. Unit M-2

The total heated square footage of this Unit is approximately 4109 square feet; first floor, 1963 square feet; second floor, 1400 square feet; and the third floor, 746 square feet. The M-2 Unit is virtually identical in description to the M-1 Unit until the third floor.

The third floor starts at the Hall (115.73 square feet) and includes the elevator; at the end of the hall is a Living Area (568 square feet) which has access to a Bath (72 square feet).

The Kensington Unit Type

a. Unit B-1

The total heated square footage of this Unit is approximately 3976 square feet; the first floor, 1671 square feet; second floor, 1729 square feet; and the third floor, 576 square feet.

The Garage (1209.64 square feet) on the ground floor is flanked on the right by the Service Courtyard (75.39 square feet), Stairs (36.48 square feet) to the first floor, and an Elevator (16.0 square feet). The remainder of the ground floor is Storage (257.68 square feet).

Upon passing the Front Porch (307.70 square feet), and entering the two story Foyer (125.0 square feet), there is a Dining room (286.0 square feet) to the left. Continuing straight through the foyer is a Hall (83.16 square feet) with a Powder Room (70 square feet) and closet, to the left, the stairs to the ground floor and Elevator (16 square feet) to the right. To the left of the dining room is a Laundry Room (54.54 square feet) and a Butler's Pantry (38.50 square feet). Behind the butler's pantry is the Kitchen (187.21 square feet) which has cabinets, appliances, and a Pantry (29.59 square feet). Behind the kitchen is located the Breakfast Area (156.90 square feet) which accesses the Covered Porch (329.43 square feet) and rear Porch (186.41 square feet). From the breakfast area moving to the right is the Great Room (465.66 square feet).

The stairs in the foyer lead to a second floor Hall (110.33 square feet) which has a storage Closet (14.00 square feet), Closet (22.0 square feet) under the stairs to the third floor, and an Elevator (16 square feet). Proceeding down the hall on the right is the Master Bedroom (389.85 square feet). The Master Bedroom accesses two Wardrobe Closets (each 46.50 square feet) and the Master Bath (169.14 square feet) which has two lavatories, whirlpool tub, shower, and water closet. Located at the end of the hall on the left is Bedroom #2 (285.41 square feet) and on the right Bedroom #3 (246.38 square feet). Bedroom #2 has access to a Closet (15.66 square feet) and Bath #2 (57.50 square feet); which has a lavatory, water closet, and tub. Bedroom #3 has access to a Walk in Closet (23.52 square feet) and Bath #3 (52.52 square feet); which has a lavatory, water closet, and tub. Both Bedroom #2 and Bedroom #3 have access to Covered Porches; bedroom #2 (69.13 square feet) and bedroom #3 (56.60 square feet).

The third floor Hall and Elevator (136.55 square feet) provide access to storage areas, Living Area (384.45 square feet) and Bath (54.59 unheated square feet).

b. B-2

The total square footage of this Unit is also approximately 3,976 square feet; 1,671 square feet, first floor; 1729 square feet, second floor; 576 square feet, third floor; and the B-2 Unit is virtually identical to the B-1 Unit insofar as a walk through description.

Note: All square footage references are approximations. These Floor Plans are subject to change in Future Phase Buildings.

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BEAUFORT COUNTY AUDITOR