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ATTORNEYS

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VIA MAIL

Mr. Donald F. Christy
Property Administrators, Inc.
19 Shelter Cove Lane, Ste. 307
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RE: Revised Bylaws for Shorewood IV Horizontal Property Regime

Dear Mr. Christy:

Enclosed please find the original Revised Bylaws for Shorewood IV Horizontal Property Regime, recorded in the Beaufort County Register of Deeds for South Carolina, on December 23, 2014 in Book 3369 at Page 1128.

Thank you for allowing me to handle this transaction for you. If you should have any questions concerning the enclosed, or need assistance in the future, please do not hesitate to contact me.

Best regards,

McNAIR LAW FIRM, P.A.



Robert M. Deeb, Jr.

RMD:see
Enclosure

cc: David Shleffar (via email)

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**BYLAWS
OF
SHOREWOOD IV HORIZONTAL PROPERTY REGIME**

The following Bylaws shall govern Shorewood IV Horizontal Property Regime:

1. **Association.** In conjunction with the creation of the Shorewood IV Horizontal Property Regime ("Regime") pursuant to the Master Deed recorded in the Beaufort County Register of Deeds Office in Book 355 at Page 510 ("Master Deed"), a South Carolina nonprofit corporation known as Shorewood IV Horizontal Property Regime has been formed ("Association"). The offices of the Association shall be located on Hilton Head Island, SC, or at such other place as may be subsequently designated by the Board of Directors of the Association.

2. **Bylaws Applicability.**

The provisions of these Bylaws are applicable to the Association. All terms used herein and not otherwise defined shall have the meanings ascribed to them in the Master Deed. All present or future Owners, their guests and invitees, or any other person who might use the Regime in any manner, are subject to these Bylaws as they may be amended from time to time. The acquisition of any Apartment, or the act of occupancy of any Apartments, will signify that these Bylaws, and any authorized amendments are accepted, ratified, and will be complied with by the Apartment Owner, their guests or invitees.

3. **Voting, Majority of Owners, Quorum, Proxies.**

- a. **Eligibility.** A Apartment Owner is deemed to have consented to be a Member of the Association. There shall be one membership for each Apartment owned. Transfer of ownership of an Apartment, either voluntary or by operation of law, shall terminate membership in the Association, and said membership shall become vested in the transferee. If the Apartment ownership is vested in more than one Apartment Owner, then all of the Apartment Owners so owning such Apartment shall agree upon the designation of one of the Apartment Owners of such Apartment to act as a Member of the Association. If Apartment ownership is vested in a corporation, partnership, limited liability company, trust or other entity, said entity must designate one individual to act as a Member of the Association.
- b. **Voting.** Voting shall be on the basis of each Apartment having one (1) vote.
- c. **Majority Vote.** As used in these Bylaws, the term Majority Vote shall mean the vote of those Apartment Owners owning fifty-one percent (51%) or more of the statutory interests of the Regime as set forth in the Master Deed. The term of Majority Vote is used for quorum purposes.
- d. **Quorum.** Except as otherwise provided in these Bylaws, the presence in person or by proxy of a Majority Vote as defined in Section 3(c) shall constitute a quorum.
- e. **Proxies.** Member votes may be cast in person or by proxy. Proxies must be received by mail, fax, or email by the Association before the appointed time of each meeting.
- f. **Voting Of Members.** The vote of a majority of the Members at any meeting in which a quorum is present, as set forth in 3(d) above, shall be binding upon all Apartment Owners for all purposes except where the Master Deed, these Bylaws,

or the South Carolina Non-Profit Corporation Act, require a higher percentage vote.

4. **Association Meetings**

- a. **Association Responsibilities.** The Association shall have the responsibility of administering to the Regime and electing the Board of Directors.
- b. **Place Of Meetings.** All meetings of the Association shall be at the offices of the Association, or at such other place as designated by the Board of Directors or the Management Agent and stated in the notice of meeting.
- c. **Semi-Annual Meetings.** Semi-Annual meetings of the Association shall be held twice a year during the months of October and March, or at such other time as the Board of Directors may agree upon. At the October meeting, the Board of Directors shall be elected by vote of the Members in accordance with the requirements of Section 5 of these Bylaws, and there shall be a report by the President or Secretary-Treasurer on the activities and financial condition of the Association. The Members may also transact such other business of the Association as may properly come before them.
- d. **Special Meetings.** It shall be the duty of the Secretary to call a special meeting of the Members 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 at least fifty-one percent (51%) of the Members and 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.
- e. **Notice Of Meetings.** It shall be the duty of the Secretary to mail a notice of each semi-annual or special meeting, stating the purposes thereof as well as the time and place where it is to be held, to each Owner of record at least fifteen (15), but not more than sixty (60) days prior to such meeting. The mailing of a notice in the manner provided in this Section shall be considered notice served.
- f. **Quorum Requirements.** Majority Vote as defined in Section 3(c) present in person or by proxy shall constitute a quorum.
- g. **Adjourned Meeting.** If any meeting of the Association cannot be organized because a quorum has not attended, the Members 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 twenty-five percent (25%) of the Members according to the statutory percentages in the Master Deed are present in person or by proxy at said reconvened meeting.
- h. **Order Of Business.** The order of business at all Annual Meetings of the Association shall be as follows:
 - i. Roll Call/Verification of Quorum.
 - ii. Proof of Notice of Meeting or Waiver of Notice.
 - iii. Reading and Approval of Minutes of Preceding Meeting.
 - iv. Reports of Officers and Committees.
 - v. Election of Directors.
 - vi. Unfinished Business.
 - vii. New Business.

- viii. The order of business at a Special Meeting of the Association shall include items (i) and (ii) above, and thereafter, the agenda shall consist of the items specified in the Notice of Meeting.
- i. Record Date. The Board of Directors shall fix a record date for determining Members entitled to notice of and to vote at each semi-annual or special meeting. Such record date shall be at least fifteen (15) days, but not more than sixty (60) days before the meeting. Only Members holding title to Apartments as reflected in the Beaufort County records on the record date shall be entitled to notice.
- j. Action By Written Ballot/Referendum. Whenever the vote of Members at a meeting is required to be taken in connection with action of the Association, the meeting and vote of Members may be waived if a Majority Vote consent in writing to such action being taken. Notice of such action shall be given to all Members along with an explanation of what action is purposed to be taken and a written ballot upon which the Members may vote for or against the purposed Association action.
- k. Waiver And Consent. Any Member may waive any notice of meeting required by these Bylaws if the waiver is submitted in writing, signed by the Member entitled to notice, and delivered to the Association prior to the date of the meeting. A Member's attendance at a meeting waives objection to lack of notice or defective notice of the meeting unless the Member objects to holding the meeting or transacting business at the meeting at the beginning of the meeting. Further, an Member'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 Member objects to the consideration of the matter at the time when it is presented at the meeting.
- l. 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 or Treasurer. This Membership list shall list the Members 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.

5. Board of Directors.

- a. Number And Qualification. The affairs of the Association shall be governed by a Board of Directors ("Board") comprised of three (3) Members. Upon the expiration of the terms of office of each Director, a successor shall be elected to serve a term of two (2) years. Terms shall be staggered, so no more than two (2) directors are elected at the October semi-annual meeting. The directors shall hold office until their successors have been elected and hold their first meeting. Each director shall also be an officer, and the director/officer elections shall be held concurrently. All directors shall be Members.
- b. General Powers And Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association.
- c. Specific Powers And Duties. In addition to the general powers referenced above, the Board shall be responsible for the following:
 - i. Care and upkeep of the Common Elements.
 - ii. Establishment of the Regime's annual budget.
 - iii. The budget shall be distributed by the Board to all members of the Association on or before the October semi-annual meeting.

- iv. Employment, dismissal and control of any management agent and any personnel necessary for the maintenance and operation of the Regime.
 - v. Collection of all assessments and fees from the Owners.
 - vi. Obtaining of insurance for the Regime.
 - vii. Grant or relocate easements which are not inconsistent with the Owners' full use and enjoyment of the Common Elements.
 - viii. Making of, or causing to be made, repairs, additions and improvements to or alterations of, the Common Elements and repairs to and restoration of the Common Elements.
 - ix. To make available for inspection, upon request during normal working hours or under other reasonable circumstances, to Owners, the holders, insurers or guarantors of any first mortgage on any Apartment, Bylaws, other rules or regulations pertaining to the Association, and the books, records and financial statements of the Association.
 - x. To adopt and implement a policy regarding resale of Apartments, the purpose of said policy to assist Members to provide timely information to prospective buyers while not burdening the Association financially.
- d. Management Agent. The Board of Directors may retain 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 this Section. Any contracts with the Management Agent shall be for a reasonable term and shall contain reasonable provisions regarding the right of the Association to terminate said contracts.
- e. Vacancies. Vacancies in the Board of Directors caused by reason other than the removal of a Director of the Board by a vote of the Members shall be filled by vote of the majority of the remaining Directors. Each person so elected shall be a Director of the Board until a successor is elected at the next meeting of the Association. If a quorum cannot be achieved due to vacancies in the Board, only a majority of the remaining Board shall be required to elect successor Board members.
- f. Removal Of Director. At any semi-annual or special meeting of the Association, any one or more Directors may be removed with or without cause by a majority of Members, and a successor shall then be elected to fill the vacancy. Any Director whose removal has been proposed to the Association shall be given an opportunity to be heard at the meeting. If a Director ceases to be an Owner, said Director shall either resign or be removed by the Board. Notwithstanding any other provision contained herein, any Director of the Board who was elected by the Members shall only be removed by the Members at a meeting where the purpose, or one of the purposes, as stated in the Notice of Meeting, is the removal of said Director. Any Member who has been removed as a Director by a vote of the Members shall not be eligible to serve on the Board again unless at least seventy five percent (75%) vote to approve said Member serving again on the Board at a semi-annual or special meeting.
- g. Organizational Meeting. After each October meeting, the Board shall convene for an organizational meeting. No notice shall be necessary to the newly elected Board members to legally constitute such an organizational meeting, providing a majority of the Board shall be present.
- h. 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 four (4) such meetings shall be held each fiscal year. Notice of regular

meetings of the Board shall be given by the Secretary or Treasurer, or other designated person to each Board member personally, by mail, or facsimile at least two (2) days prior to the day of the meeting.

- i. Special Meetings. Special meetings of the Board may be called by the President, on three (3) days prior notice to each director, given personally, by mail, or facsimile, which notice shall state the time, place, and the purpose or purposes of the meeting.
- j. Waiver Of Notice. Before or at any meeting of the Board, a director may waive in writing notice of such meeting. Attendance or participation by a director at any meeting of the Board shall constitute a waiver of notice. If all directors are present at a meeting of the Board, no notice shall be required.
- k. Action Without A Meeting. Actions of the Board may be taken without a meeting if the action is taken by all directors of the Board and evidenced by one or more written consents describing the action taken, signed by each director, and included in the corporate records of the Association.
- l. Board Quorum. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business. Actions and resolutions approved by a vote of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board. Directors may participate in a regular or special meeting by, or conduct the meeting through 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 Directors 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. Proxies shall not be available for either a Board quorum or for voting purposes.
- m. Fidelity Bonds. The Board may require that any management agent, officers or employees of the Association handling or responsible for Association funds furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.
- n. Compensation. No Director shall receive any compensation from the Association. However, a Director may be reimbursed for actual expenses incurred in the performance of his or her duties.
- o. Liability Of The Board Of Directors. Except as required under the laws of South Carolina, the directors shall not be liable to the Apartment Owners or Members for any mistake of judgment, negligence, or otherwise, except for willful misconduct. To the extent permitted under the laws of South Carolina, the Apartment Members and Members shall indemnify and hold harmless the Board of Directors against all contractual liability to others arising out of contracts entered into by the Board of Directors on behalf of the Association, unless any such contract is contrary to the provisions of the Covenants or of these Bylaws.

6. Officers.

- a. Designation. The principal officers of the Association shall be a President, a Vice President, and a Secretary and/or Treasurer all of whom shall be directors and all of whom shall be elected by the Owners. The Board may appoint an Assistant Treasurer and Assistant Secretary, and such other officers as, in their judgment, may be necessary

- b. Election Of Officers. The officers of the Association shall be elected by the Members at the October semi-annual meeting. Each officer shall be a director and shall each serve terms of two (2) years running concurrently with each's term as a director. Elections shall be held concurrently with Board elections, and each director/officer term shall be staggered to avoid the terms of all directors/officers expiring at the same time.
 - c. Removal Of Officers. Upon an affirmative vote of a majority of the directors of the Board, any officer may be removed either with or without cause, and a 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 he or she shall cease to be an Owner.
 - d. 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.
 - e. President. The President shall be the Chief Executive Officer of the Association. The President shall preside at all meetings of the Association and of the Board. The President shall have all of the general powers and duties which are usually vested in the office of President of an incorporated nonprofit Association, including but not limited to, the power to appoint committees from among the Apartment Members as 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 from time to time by the Board of Directors.
 - f. Vice President. The Vice President shall take the place of the President and perform the President's 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 director of the Board to perform such duties on an interim basis. The Vice President shall also perform other duties as requested by the Board.
 - g. Secretary And Treasurer. The offices of Secretary and Treasurer may be combined or separated. The Secretary or Treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association. The Secretary or Treasurer shall have charge of the record books and papers of the Association and shall authenticate the records of the Association. The Secretary or Treasurer 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 and 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.
7. Notices. Whenever under the provisions of the Master Deed or these Bylaws notice is required to be given to the Board of Directors, the management agent or a Member, it shall not be construed to require personal notice; but such notice may be given in writing, by first class mail by depositing the same in a post office or letter box, in a postpaid sealed envelope, addressed to the Board of Directors, the Management Agent or the Member, at such address as appears on the books and records of the Association. Notice shall be deemed given as of the date of mailing.
8. Assessments and Regime Expenses.

- a. Assessments For Common Expenses. All Members shall be obligated to pay the Assessments imposed by the Association and to meet all Association expenses for upkeep and maintenance of Common Elements as set forth in the Master Deed and these Bylaws.
- b. Periodic Payments. All Members shall be obligated to pay periodic assessments, monthly or otherwise, imposed by the Board to meet all common expenses of the Regime. The common expenses shall include, without limitation, liability insurance policy and hazard insurance policy premiums along with all costs of associated with Common Element maintenance and repair. The common expenses may also include, but shall not be limited to, such amounts as the Board may deem proper for the operation and maintenance of the Common Elements and any amounts for a general working capital. The Board may establish a general operating reserve for replacements of Common Elements or to make up any deficit between the assessments collected and the costs of common expenses for a prior year. Payments of periodic assessments for common expenses shall be in equal monthly installments.
- c. Assessments to Remain in Effect until New Assessments Are Made. The omission by the Board before the expiration of any year to fix assessments for the following year shall not be deemed a waiver or modification in any respect of the provisions of this Master Deed or release of any Owner from the obligation to pay assessments or any installments thereof. In such event, the assessment fixed for the preceding year shall continue until a new assessment is fixed. No Owner may exempt itself from liability from for its contribution towards the common expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of its Apartment.
- d. Default and Payment of Common Expenses. The Board shall take prompt action to collect any common expenses due from any Owner which remain unpaid for more than thirty (30) days from the due date for payment. In the event of default by any Owner in paying the common expenses and/or monthly payments, such Owner shall be obligated to pay a late charge of one and one half percent (1 ½ %) of the delinquent amount per month from the due date thereof, together with all expenses, including attorneys' fees, incurred by the Association and any court proceeding brought to collect such unpaid common expenses. The Association shall have the right and duty to recover unpaid common expenses by foreclosure of the lien on any Apartment granted by the Act.
- e. Records. The Board shall keep detailed records of the receipts and expenditures affecting the Regime and any other Association expenses incurred. The Board shall have available current copies of the Master Deed with all amendments, if any, the Association's Articles of Incorporation, these Bylaws, minutes of all annual and special meetings, and financial statements at its offices. All such documentation shall be available for inspection by any Owner of holders, insurers or guarantors of first mortgages secured by a Apartment during normal business hours.
- f. Statement Upon Resale. No Owner shall convey or sell an Apartment unless and until all unpaid Assessments against the Apartment shall have been paid. Such unpaid Assessments, however, may be paid out of the proceeds from the sale of an Apartment or by the Owner's grantee. Upon the written request of an Owner or the Owner's prospective purchaser, the Board or the Management Agent shall furnish a written statement of the unpaid Assessments due from such Owner for a reasonable fee, which shall be conclusive evidence of the payment of Assessments prior to the date of the statement. Further, the Association shall

undertake to provide copies of the Covenants, these Bylaws, or other materials regarding the Association upon the written request of an Owner in connection with the sale of an Apartment. A reasonable charge may be made by the Board for the issuance of Assessment statements and Association materials.

- g. Maintenance And Repair. All maintenance, repair and replacement to the Common Property shall be made by the Board or its agent and shall be charged to all the Members as Common Expenses, excepting to the extent that the same may be necessitated by the negligence, misuse or neglect of an Owner, in which such case the expense shall be charged to such Owner as set forth in the Master Deed.
- h. Right Of Entry.
 - i. An 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 a Apartment, whether the Owner is present at the time or not.
 - ii. All Members shall permit other Owners, or their representatives, when so required, to enter their Apartment 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 Owner. In case of emergency, the right of entry shall be immediate.
- i. Fiscal Year. The fiscal year for the Association shall be the calendar year, unless otherwise determined by the Board of Directors.
- j. Litigation. No judicial proceeding or litigation shall be commenced or prosecuted by the Association unless approved by a vote of fifty-one percent (51%) 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 the Master Deed or Bylaws (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 judicial proceeding or litigation is instituted by or against the Association, the Association shall assess by special assessment all Members for the costs of such litigation, including, without limitation, attorneys' fees incurred, and funds from regular Assessments shall not be used for any such claim or litigation.

9. Insurance. The Board of Directors shall be required to obtain and maintain insurance policies covering the Regime, without prejudice of the right of the Members to obtain additional individual insurance policies at his or her own expense.

- a. Hazard Insurance. The Board of Directors shall insure the Regime 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 Regime 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 Regime 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 Regime property. All hazard insurance shall cover the entire

- Regime property, exclusive only of the contents and furnishings of the individual Apartments.
- b. 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 Members 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 these Bylaws, it being understood and acknowledged that the distribution of such proceeds shall be controlled by the Act and the provisions of these Bylaws.
 - c. All hazard insurance policies obtained by the Board of Directors shall provide for the issuance of Certificates of Insurance to each Apartment 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 Apartment is located. If an Apartment is mortgaged, a Certificate of Insurance shall be issued to the mortgagee bearing a standard mortgagee endorsement, if requested.
 - d. If obtainable, all hazard insurance policies upon the Regime property shall include provisions waiving (i) any rights of the insurer to subrogation against the Association, its agents and employees, and against the individual Members and their servants, agents, and guests; and (ii) any rights of the insurer to contribution from hazard insurance purchased by the Apartment Owner upon the contents and furnishings of their Apartments.
 - e. Each hazard insurance policy shall contain a loss payee provision designating the interest of the various mortgagees as to the various Apartments within the Regime which are covered by the Master Policy. Such policies shall also provide that they shall not be cancelled without giving thirty (30) days prior written notice to all such mortgagees about which the insurer has been given written notice.
 - f. 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 Apartment Owner and to liabilities of one Owner to another Apartment Owner.
 - g. Workmen's Compensation Insurance. The Board of Directors, as necessary, shall obtain Workmen's Compensation Insurance to meet the requirements of law.
 - h. Premiums. All premiums upon insurance policies purchased by the Board of Directors shall be assessed as Common Expenses to be paid by the Members through periodic assessment as herein provided.
 - i. Adjustment. Each Apartment Co-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 Apartment Co-owners.
 - j. Insurance Trust. In the event of casualty loss to the Regime property, all insurance proceeds indemnifying the loss or damage shall be paid jointly 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 Section, and for the benefit of the Association, the Apartment Owners, and their respective mortgagees in the following share:

- i. 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 Apartments.
- ii. Insurance proceeds paid on account of loss or damage to less than all of the Apartments, when the damage is to be restored, shall be held for the benefit of Apartment Members of the damaged Apartments and their respective mortgagees in proportion to the costs of repairing each damaged Apartment.
- iii. Insurance proceeds paid when the Regime property is not to be restored shall be held for the benefit of all Apartment Owners, and their respective mortgagees the share of each being equal to the undivided share or interest in common elements appurtenant to the applicable Apartment.
- iv. In the event a Certificate of Insurance has been issued to an Apartment Owner bearing a mortgagee endorsement, the share of the Owner shall be held in trust for the mortgagee and the 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 Members and their respective mortgagees pursuant to the provisions of the master deeds.
- k. Insurance By Owners. Each Owner shall be responsible for obtaining, at its sole expense, insurance covering the personal property, wall coverings, decorations, and furnishings within its Apartment and the additions and improvements made to the Apartment. Each Owner shall also be responsible for obtaining, at its expense, insurance covering its liability for the safety of the premises within its Apartment. All such insurance policies shall include, however, provisions waiving (i) any right of the insurer to subrogation claims against the Association and against individual Apartment Co-owners, as well as their agents, servants, employees, and guests; and (ii) any right of the insurer to contribution or proration because of the Regime master hazard policy.
- l. As set forth in the Master Deed, an Owner is responsible for any damage to its Apartment or another Apartment caused by negligent action or inaction by the Owner or any occupant of the Apartment. If a claim is made against the Association's policy as a result of such negligence by a 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 Owner.

- 10. Reconstruction and Repair.** In the event of casualty loss or damage to the Regime property, the Board of Directors shall be responsible for applying the proceeds of all casualty insurance to the repair or reconstruction of the Regime property in accordance with the provisions of this Section. 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 Members vote as determined by the statutory percentages in the Master Deed, at a duly authorized meeting, not to reconstruct. In situation where reconstruction or repair is not to be undertaken, the insurance proceeds received by the Board of Directors shall be distributed pro-rata to the Members and their mortgagees jointly in proportion to their respective statutory interests. The remaining portion of the

Regime property shall be subject to an action for partition 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 Members and their mortgagees jointly in proportion to their respective statutory interests. In the situation where reconstruction or repair is undertaken, then such Regime property shall be repaired in the following manner:

- a. Any reconstruction or repair must follow substantially the original plans and specifications of the Regime property unless the Members holding seventy-five percent (75%) or more of the total statutory interest as set forth in the Master Deed, vote to adopt different plans and specifications and all Members whose Apartments are being reconstructed or repaired unanimously consent to the adoption of such different plans and specifications.
- 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 Members 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 any special assessments collected to cover a deficiency in insurance shall constitute a construction fund from which the Board of Directors, 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 Members who paid special assessments in proportion to their payments. Any balance remaining after such distribution shall be retained by the Association.

11. Mortgages.

- a. Notice To Board. An Owner who mortgages an Apartment shall notify the Board of the name and address of the Mortgagee.
- b. Notice To Mortgagee. The Board shall give reasonable advance written notice of the events below to all Regime mortgagees from which it receives a written request. Such written request must identify the name and address of the mortgagee and the encumbered Apartment number and address:
 - i. Any unpaid Assessments due the Association for over ninety (90) days from the Owner(s) of the Apartment;
 - ii. Any default by the Owner of the Apartment in the performance of obligations under the Covenants or Bylaws when such default is not cured within sixty (60) days.
 - iii. Any condemnation loss or any casualty loss which affects a material portion of the Regime or any Apartment on which there is a first mortgage held, insured, or guaranteed by such mortgagee;
 - iv. Any proposed action which would require the consent of a specified percentage of mortgagees as specified in these Bylaws or in the Covenants.

- c. Statements To Mortgagee. Upon written request to the Association from any mortgagee of which it has notice as herein provided, the Board shall supply such mortgagee with a reasonably current financial statement of the Association within a reasonable time of such request.

12. **Amendments.** These Bylaws may be amended only with the approval of at least sixty-seven (67%) percent of the Members.

13. **Miscellaneous Matters.**

- a. Number. When the context requires, the use of the singular includes the plural.
- b. Definitions. The definitions contained in the Master Deed apply to these Bylaws.
- c. Execution Of Documents. The President, Vice President, or Secretary are responsible for preparing, executing, filing and recording amendments to the Master Deed and Bylaws, and shall be authorized to execute any other document which the Association may from time to time be required to execute.
- d. Captions. The captions contained in these Bylaws are inserted as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these Bylaws or the intent of any provision of the Bylaws.
- e. Invalidity. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.
- f. Conflict. These Bylaws are set forth to comply with the requirements of 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 Bylaws 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.
- g. Waiver. No restriction, condition, obligation, or covenant contained in these Bylaws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the violations or breaches thereof which may occur.