

DECLARATION OF COVENANTS, CONDITIONS, AND
RESTRICTIONS
FOR
SULLIVAN HILLS

Plat for Sullivan Hills Recorded in Plat Book S1693, Page 3, Anderson County, South Carolina
Records

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**CLOSING ATTORNEYS SHOULD CONTACT THE ASSOCIATION FOR ESTOPPEL
CERTIFICATES REGARDING BOTH ASSESSMENTS/CHARGES DUE ON LOTS AND
ANY UNCURED ARCHITECTURAL VIOLATIONS OR UNAUTHORIZED
IMPROVEMENTS ON LOTS, PURSUANT TO THE PROVISIONS HEREOF.**

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<u>Exhibit</u>	<u>Subject Matter</u>
"A"	Land Initially Submitted (Sullivan Hills)
"B"	Design Guidelines
"C"	Initial Restrictions and Rules
"D"	By-Laws of Sullivan Hills Homeowners' Association, Inc.

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

SULLIVAN HILLS

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR SULLIVAN HILLS is made as of the date set forth on the signature page hereof by WELPINE, LLC, a South Carolina limited liability corporation (the "Declarant").

Declarant is the owner of the real property described in Exhibit "A" (Sullivan Hills), which is attached and incorporated herein by reference. By this Declaration, Declarant imposes upon the real property described in Exhibit "A" (along with such additional property as is later annexed pursuant to this Declaration, the "Properties") mutually beneficial restrictions under a general plan of improvement for the benefit of all Owners, and establish a flexible and reasonable procedure for the overall development, administration, maintenance, and preservation of the Properties. In furtherance of such plan, Declarant has caused or intends to cause Sullivan Hills Homeowners' Association, Inc., to be formed as a South Carolina Nonprofit corporation to own, operate, and maintain the Common Area and to administer and enforce the provisions of the Governing Documents.

Declarant hereby declares that the property described in Exhibit "A," along with such additional property as is subjected to this Declaration in the future, shall be held, sold, used, and conveyed subject to the following easements, restrictions, covenants, and conditions, which shall run with the title to such real property. This Declaration shall be binding upon all parties having any right, title, or interest in any portion of the Properties, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of each owner of any portion of the Properties.

Article I DEFINITIONS

The terms in this Declaration and the attached exhibits shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below.

1.1. "Area of Common Responsibility": The Common Area, together with such other areas for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration, or other applicable covenants, contracts, or agreements.

1.2. "Articles of Incorporation" or "Articles". The Articles of Incorporation of Sullivan Hills Homeowners' Association, Inc., as filed with the Secretary of State of the State of South Carolina.

1.3. "Association": Sullivan Hills Homeowners' Association, Inc., a South Carolina nonprofit corporation, its successors or assigns.

1.4. "Board of Directors" or "Board": The body responsible for administration of the Association, selected as provided in the By-Laws.

1.5. "Builder": Any Person which purchases one or more Lots for the purpose of constructing improvements for later sale to consumers in the ordinary course of such Person's business.

1.6. "By-Laws": The By-Laws of Sullivan Hills Homeowners' Association, Inc., attached as Exhibit "D," as the same may be amended from time to time.

1.7. "Class "B" Control Period": The period of time during which the Class "B" Member is entitled to appoint the members of the Board of Directors as provided in Section 3.3 of the By-Laws.

1.8. "Common Area": All real and personal property, including easements, which the Association owns, leases, or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners.

1.9. "Common Expenses": The actual and estimated expenses incurred, or anticipated to be incurred, by the Association, including any reasonable reserve, as the Board may find necessary and appropriate. Common Expenses shall not include any expenses incurred during the Class "B" Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by a majority of the total Class "A" vote of the Association.

1.10. "Community-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing throughout the Properties. Such standard shall be initially established by the Declarant and described in the Design Guidelines. Thereafter, the Board shall determine and enforce the Community-Wide Standard.

COMMUNITY-WIDE STANDARD		
<i>The higher of:</i>		
MINIMUM STANDARDS	OR	PREVAILING STANDARD
<i>Architectural Guidelines Restrictions and Rules Resolutions of Board Example set by Declarant</i>		

**Throughout the Governing Documents there are diagrams to illustrate the concepts discussed and aid in the reader's comprehension. Such diagrams are for illustrative purposes only. In the event of a conflict between any diagram and the text of the Governing Documents, the text shall control.*

1.11. "Declarant": Welpine, LLC, a South Carolina limited liability corporation, its successors and assigns.

1.12. "Design Guidelines": The initial restrictions and rules set forth in Exhibit "B," as they may be administered, supplemented, modified, and repealed pursuant to Article IX.

1.13. "General Assessment": Assessments levied on all Lots subject to assessment under Article VIII to fund Common Expenses.

1.14. "Governing Documents": A collective term referring to this Declaration, any Supplemental Declaration, the Articles, the By-Laws, the Design Guidelines, and any Restrictions and Rules established for the Properties.

GOVERNING DOCUMENTS

<p>Articles of Incorporation _____ (filed with South Carolina Secretary of State)</p>	<p>establish the Association as a non-profit corporation under South Carolina law</p>
<p>By-Laws _____ (the Board of Directors adopts)</p>	<p>govern the Association's internal affairs, such as voting, elections, meetings, etc.</p>
<p>Declaration _____ (recorded in Public Records)</p>	<p>creates obligations which are binding upon the Association and all present and future owners of property in Sullivan Hills</p>
<p>Supplemental Declaration _____ (recorded in Public Records)</p>	<p>adds property to Sullivan Hills; <i>may</i> create easements and impose additional obligations or restrictions on such property</p>
<p>Architectural Guidelines _____ (Declarant adopts)</p>	<p>establish architectural standards and guidelines for improvements and modifications to Lots including structures, landscaping and other items on Lots</p>
<p>Restrictions and Rules _____ (Board or Voting Members may adopt; initial set attached as Exhibit "C")</p>	<p>govern use of property, activities, and conduct within Sullivan Hills</p>
<p>Board Resolutions _____ (Board adopts)</p>	<p>establish rules, policies and procedures for internal governance and Association activities, regulate operation and use of Common Area</p>

1.15. "Lot": A portion of the Properties, whether improved or unimproved, which may be independently owned and conveyed and which is intended for development, use, and occupancy as a residence for a single family. The term shall include within its meaning, by way of illustration but not limitation, each numbered lot shown on a subdivision plat Recorded with respect to any portion of the Properties, together with the structures, if any, constructed thereon, as well as vacant land intended for further subdivision, but shall not include Common Area or property dedicated to the public.

1.16. "Master Plan": The land use plan for development of Sullivan Hills prepared by Azimuth Control, Inc., as it may be amended from time to time, which plan includes the property described on Exhibit "A." Inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration.

1.17. "Member": A person subject to membership in the Association pursuant to Section 3.2.

1.18. "Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Lot. A "Mortgagee" is a beneficiary or holder of a Mortgage.

1.19. "Owner": One or more Persons who hold the record title to any Lot, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Lot is sold under a Recorded contract of sale and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

1.20. "Person": A natural person, a corporation, partnership, a trustee, or any other legal entity.

1.21. "Properties": The real property described on Exhibit "A," together with such additional property as is subjected to this Declaration in accordance with Article VII.

1.22. "Record" "Recording" or "Recorded": To file, the filing, or filed of record in the Office of the Register of Deeds for Anderson County, South Carolina, or such other place which is designated as the official location for recording public land records.

1.23. "Restrictions and Rules": The initial restrictions and rules set forth in Exhibit "C," as they may be supplemented, modified, and repealed pursuant to Article X.

1.24. "Special Assessment": Assessments levied in accordance with Section 8.4.

1.25. "Specific Assessment": Assessments levied in accordance with Section 8.5.

1.26. "Supplemental Declaration": A Recorded instrument which subjects additional property to this Declaration pursuant to Article VII and/or imposes, expressly or by reference, additional restrictions and obligations on the land described in such instrument.

Article II PROPERTY RIGHTS

2.1. Common Area.

Every Owner shall have a right and an appurtenant, nonexclusive easement of use, access, and enjoyment in and to the Common Area including, but not limited to, all amenities and recreational areas which shall be located in Sullivan Hills for the use and enjoyment of the Owner of any Lot in Sullivan Hills, subject to:

- (a) This Declaration and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) The right of the Board and the membership to adopt rules pursuant to Article X regulating the use and enjoyment of the Common Area, including rules limiting or expanding that number of guests who may use the Common area;
- (d) The right of the Board to suspend the right of an Owner to use the Common Area facilities (i) for any period during which any charge against such Owner's Lot remains delinquent, and (ii) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation of the Governing Documents after notice and a hearing pursuant to Section 3.24 of the By-Laws;
- (e) The right of the Association, acting through the Board, to dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Declaration;
- (f) The right of the Board to impose reasonable membership requirements and charge reasonable admission or other use fees for the use of Common Area facilities;
- (g) The right of the Board to permit use of any Common Area facilities by persons other than Owners, their families, lessees, and guests upon payment of such use fees as the Board may establish; and
- (h) The right of the Association, acting through the Board, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the approval requirements as may be set forth in this Declaration.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable regulation by the Board. An Owner who leases his or her Lot shall be deemed to have assigned all such rights to the lessee of such lot.

2.2. No Partition.

So long as the Declarant owns any portion of the Properties, there shall be no judicial partition of the Common Area. Thereafter, the Common Area shall remain undivided and no Owner shall bring any action for partition or division of the whole or any part thereof without the written consent of all Owners of all portions of the Properties and without the written consent of all holders of all Mortgages encumbering any portion of the Properties, including, but not limited to, the Lots. This article shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

2.3. Condemnation.

In the event of a taking by eminent domain any portion of the Common Area on which improvements have been constructed, the Association at its expense shall restore or replace such improvements so taken on the remaining Common Area, unless within sixty days after such taking the Declarant, so long as the Declarant owns any property described in Exhibit "A" of this Declaration, and at least 67% of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 6.1(c) regarding funds for the repair of damage or destruction shall apply.

If the taking or conveying does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

2.4. Actions Requiring Owner Approval.

If either the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs is insuring or guaranteeing the Mortgage or any Lot, the following actions shall require the prior approval of Members representing not less than two-thirds (2/3) of the total Class "A" votes in the Association and the consent of the Class "B" Member, if such exists; merger, consolidation, or dissolution of the Association; annexation or additional property; and dedication, conveyance, or mortgaging of Common Area. Notwithstanding anything to the contrary in Section 2.3 or this Section, the Association, acting through the Board, may grant easements over the Common Area for installation of amenities, lighting, landscaping, utilities, or any other fixture or improvement, with the intended use of the Common Area, without the approval of the membership.

Article III MEMBERSHIP AND VOTING RIGHTS

3.1. Function of Association.

The Association shall be the entity responsible for management, maintenance, operation, and control of the Area of Common Responsibility. The Association shall be the primary entity responsible for enforcement of this Declaration and such reasonable rules regulating use of the

Properties as the Board or the membership may adopt pursuant to Article X. The Association shall also be responsible for administering and enforcing the architectural standards and controls set forth in this Declaration and in the Design Guidelines. The Association shall perform its functions in accordance with the Governing Documents and the laws of the State of South Carolina.

3.2. Association Acts Through Its Board of Directors.

Whenever approval of, or action or inaction by, the Association is referred to or called for in this Declaration, such action, inaction or approval shall be by the Board of Directors of the Association, unless it is specifically stated in this Declaration, the Articles of Incorporation or the Bylaws with respect to such action, inaction or approval that the members of the Association must vote.

3.3. Membership.

Every Owner automatically shall become a Member of the Association upon taking title to a Lot. There shall be only one membership per Lot. If a Lot is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 3.3 and in the By-Laws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not a natural person may be exercised by any officer, director, partner, or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

3.4. Voting.

The Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each Lot in which they hold the interest required for membership under Section 3.2; provided, there shall be only one vote per Lot and no vote shall be exercised for any property which is exempt from assessment under Section 8.10.

In any situation where there is more than one Owner of a Lot, the vote for such Lot shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Lot's vote shall be suspended if more than one Person seeks to exercise it.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The Class B Member shall be entitled to one hundred votes for each Lot owned by Declarant which entitles the Class "B" Member to appoint the members of the Board of Directors as specified in Section 3.3 of the By-Laws. Upon termination of the Class "B" membership, the Declarant shall be a Class "A" Member entitled to one vote for each Lot which it owns.

Article IV RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

4.1. Common Area.

The Association, subject to the rights of the Owners set forth in this Declaration, shall manage and control the Common Area and all improvements thereon (including, without limitation, landscaping, furnishings, equipment, and other personal property of the Association used in connection with the Common Area), and shall keep it in good, clean, attractive, and sanitary condition, order, and repair, pursuant to this Declaration and the By-Laws and consistent with the Community-Wide Standard. The Board is specifically authorized, but not obligated, to retain or employ professional management to assist in carrying out the Association's responsibilities under this Declaration and the By-Laws, the cost of which shall be a Common Expense.

4.2. Personal Property and Real Property for Common Use.

The Association, through action of its Board, may acquire, hold, and dispose of tangible and intangible personal property and real property, subject to the provisions of Sections 2.4 and 12.4. The Declarant and its designees may convey to the Association improved or unimproved real estate, or interests in real estate, located within the property described in Exhibit "A," personal property, and leasehold and other property interests. The Association shall accept such property and thereafter maintain such property at its expense for the benefit of its Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association.

4.3. Enforcement.

The Association may impose and enforce sanctions for violations of the Governing Documents in accordance with the procedures set forth in the By-Laws, including reasonable monetary fines and suspension of the right to vote and to use any recreational facilities with the Common Area. In addition, in accordance with Section 3.24 of the By-Laws, the Association may exercise self-help to cure violations and may suspend any services it provides to the Lot of Owner who is more than 30 days delinquent in paying any assessment or other charge due to the Association. All remedies set forth in this Declaration and the By-Laws shall be cumulative of any remedies available at law or in equity. In any action to enforce the provisions of the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

The Association shall not be obligated to take action to enforce any covenant, restriction, or rule which the Board, in its sole discretion, reasonably determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board, in its sole discretion, reasonably determines that the Association's position is not strong enough to justify taking enforcement action. Any such determination shall not be construed as a waiver of the right to enforce such provision under other circumstances or estop the Association from enforcing any other covenant, restriction, or rule.

4.4. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly by the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents or By-Laws, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

4.5. Governmental Interests.

For as long as the Declarant owns any property described on Exhibit "A," the Declarant may designate sites within the Properties for fire, police, and utility facilities; public schools and parks; and other public or quasi-public facilities. The sites may include Common Area, in which case the Association shall take whatever action is required with respect to such site to permit such use, including conveyance of the site, if so directed by Declarant. The sites may include other property which Declarant does not own, so long as the property owner consents.

4.6. Indemnification.

The Association shall indemnify every officer, director, and committee member, including members of the Architectural Review Committee established under Article IX, against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section and South Carolina law.

The officer, directors, and committee members shall not be liable for any mistake of judgment, neglect or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association). The Association shall indemnify and forever hold harmless each such officer, director, and committee, or act. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

4.7. Dedication of Common Areas.

The Association may dedicate portions of the Common Area to Anderson County, South Carolina, or to any other local, state, or federal government or quasi-governmental entity, subject to such approval as may be required by Section 2.4 and 12.4.

4.8. Security.

The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be. Neither the Association nor the Declarant shall in any way be considered insurers or guarantors of security within the Properties, nor shall any of them be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken. No representation or warranty is made that any fire protection system, burglar alarm system for limiting access to the Properties, cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and covenants to inform its tenants and all occupants of its Lot that the Association, its Board of Directors, officers, and committees, and the Declarant are not insurers and that each Person using the Properties assume all risks of personal injury and loss or damage to property, including Lots and the contents of Lots, resulting from acts of third parties.

Article V MAINTENANCE

5.1. Association's Responsibility.

(a) The Association shall maintain and keep in good repair the Area of Common Responsibility, which shall include, but need not be limited to:

- (i) all property and improvements situated upon the Common area;
- (ii) all sidewalks within the Properties;
- (iii) landscaping and signage within public rights-of-way within or adjacent to the Properties;
- (iv) all storm water detention/retention ponds and storm water drainage facilities, whether or not such storm water detention/retention ponds and storm water drainage facilities are on a Lot, privately owned property or public right-of-way, if and to the extent such facilities are not maintained by a governmental entity; provided however, each Owner of any particular Lot, and not the Association, shall be responsible for maintenance of all storm water drainage facilities located on and used exclusively in connection with such Lot or the improvements thereon, including, for example, guttering, and pipes and drains for transportation of storm water from such Lot into any storm water detention/retention ponds and storm water drainage facilities for the community;
- (v) such portions of any additional property included within the Area of Common Responsibility as may be dictated by the Governing Documents or any contract or agreement for maintenance thereof entered into by the Association; and

- (vi) any property and facilities owned by the Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its members, such property and facilities to be identified by written notice from the Declarant to the Association and to remain a part of the Area of Common Responsibility and to be maintained by the Association unless and until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

(b) There are hereby reserved to the Association easements over the Properties, including the Lots, as necessary to enable the Association to fulfill such responsibilities. The Association shall maintain facilities and improvements within the Area of Common Responsibility in continuous operation, except for any period necessary, as determined in the sole discretion of the Board, to perform required maintenance or repairs, unless 67% of the Class "A" votes in the Association and the Class "B" Member, if any, agree in writing to discontinue such operation.

Except as provided above, the Area of Common Responsibility shall not be reduced by amendment of this Declaration or any other means except with the prior written approval of the Declarant as long as the Declarant owns any property described on Exhibit "A" of this Declaration.

5.2. Owner's Responsibility.

Each Owner shall maintain his or her Lot and all structures, parking areas, landscaping, and other improvements comprising the Lot in a manner consistent with the Community-Wide Standard and all applicable covenants. In addition to any other enforcement rights, if any Owner fails to properly perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Lot and the Owner in accordance with Section 8.7. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

5.3. Standard of Performance.

Unless otherwise specifically provided herein or in other instruments creating and assigning such maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary. All maintenance shall be performed in a manner consistent with the Community-Wide Standard and all applicable covenants. The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

Article VI INSURANCE AND CASUALTY LOSSES

6.1. Association Insurance.

(a) Required Coverage. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if the Board, in its business judgment, determines such insurance is necessary and such is reasonably available, or if not reasonably available, the most nearly equivalent coverage as are reasonably available;

- (i) Blanket property insurance for the full replacement cost of all insurable improvements on the Common Area and on other portions of the Area of Common responsibility;
- (ii) Commercial general liability insurance for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf;
- (iii) Workers compensation insurance and employers liability insurance, if and to the extent required by law;
- (iv) Directors and officers liability coverage;
- (v) Fidelity insurance covering all Persons responsible for handling Association funds. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and
- (vi) Such additional insurance as the Board determines advisable.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of insurance coverage by one or more qualified Persons, at least one of who must be familiar with insurable replacement costs in the Anderson County, South Carolina, area.

All Association policies shall provide for a certificate of insurance to be furnished to each Member insured and to the Association.

The policies may contain a reasonable deductible. In the event of an insured loss, the deductible shall be treated as a Common Expense; provided, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with Section 3.24 of the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the board may specifically assess the full amount of such deductible against such Owner(s) and their Lots pursuant to Section 8.6.

All insurance coverage obtained by the Board shall:

- (i) be written with a company authorized to do business in the State of South Carolina which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;
- (ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Area shall be for the benefit of the Association and its Members;
- (iii) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;
- (iv) contain an inflation guard endorsement; and
- (v) include an agreed amount endorsement, if the policy contains a co-insurance clause.

In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners as additional insured and provide:

- (i) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owner and their tenants, servants, agents, and guests;
- (ii) a waiver of the insurer's rights to repair and reconstruct *instead of paying cash*;
- (iii) an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure;
- (iv) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;
- (v) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;
- (vi) a cross liability provision; and
- (vii) a provision vesting in the board exclusive authority to adjust losses; provided, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(c) Damage and Destruction. Immediately after damage or destruction to all or any part of the Properties covered by insurance written in the name of the Association, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair or reconstruction. Improvements on the Common Area shall be repaired or reconstructed unless the Members representing at least 67% of the total Class "A" votes in the Association, and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If determined in the manner described above that the damage or destruction to the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by and for the benefit of the Association and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Lot. If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board of Directors may, without a vote of the Members, levy a Special Assessment to cover the shortfall.

6.2. Owners' Insurance.

By virtue of taking title to a Lot, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on his or her Lot, less a reasonable deductible. Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his or her Lot, the construction thereon or such other plans and specifications shall be approved in accordance with Article IX. Alternatively, the Owner shall clear the Lot of all debris and ruins and maintain the Lot in a neat and attractive condition consistent with the Community-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds.

Article VII ANNEXATION AND WITHDRAWAL OF PROPERTY

7.1. Annexation With Approval of Membership.

The Association may annex any real property to the provisions of this Declaration with the consent of the owner of such property, the affirmative vote of Members representing a majority of the Class "A" votes of the Association represented at a meeting duly called for such purpose, and the consent of the Declarant so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 7.1.

Such annexation shall be accomplished by Recording a Supplemental Declaration describing the property being annexed. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, by the owner of the annexed property, and by the Declarant, if the Declarant's consent is required. Any such annexation shall be effective upon Recording the Supplemental Declaration unless otherwise provided therein.

Declarant, subject to this Declaration and By-Laws reserves the right during Class "B" control to unilaterally annex additional property adjacent to Sullivan Hills.

7.2. Withdrawal of Property.

For so long as the Declarant has a right to annex additional property pursuant to Section 7.1., the Declarant reserves the right to amend this Declaration for the purpose of removing any portion of the Properties from the coverage of this Declaration, provided such withdrawal is not unequivocally contrary to the overall, uniform scheme of development for the Properties. Such amendment shall not require the consent of any person other than the owner of the property to be withdrawn, if not the Declarant.

7.3. Additional Covenants and Easements.

The Declarant may subject any portion of the Properties to additional covenants and easements by Recording a Supplemental Declaration, concurrent with or after the annexation of the subject property, setting forth such additional covenants and easements. Any such Supplemental Declaration shall require the written consent of the owner(s) of the subject property, if other than the Declarant. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

Article VIII ASSESSMENTS

8.1. Creation of and Obligation for Assessments.

(a) Purpose and Types. There are hereby created four types of assessments: (i) General Assessments; (ii) Special Assessments; (iii) Specific Assessments; and (iv) Initiation Fee and Transfer Fee. Each Owner, by accepting a deed or entering into a Recorded contract of sale for any portion of the Properties, is deemed to covenant and agree to pay these assessments.

(b) Personal Obligation and Lien. All assessments, together with interest (computed from the due date of such assessment at a rate of 10% per annum or such higher rate as the Board may establish, subject to the limitations of South Carolina law), late charges established by Board resolution, costs, and reasonable attorneys' fees, shall be the personal obligation of the Owner and a charge and continuing lien upon each Lot against which the assessment is made until paid, as more particularly provided in Section 8.7. Upon a transfer of title to a Lot, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance. However, no first Mortgagee who obtains title to a Lot by exercising the remedies provided in its Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title.

The Association shall, upon request, furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Lot and impose special requirements for Owners with a history of delinquent payment. If any Owner is delinquent in payment of any assessments or other charges levied on his or her Lot, the Board may require any unpaid installments of all outstanding assessments to be paid in full immediately.

No Owner may exempt himself or herself from liability for assessments by non-use of the Common Area, abandonment of his or her Lot, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

The Association is specifically authorized to enter into subsidy contracts or contracts for "in-kind" contribution of services, materials, or a combination of services and materials with the Declarant or other entities for payment of Common Expenses. Additionally, the Association is specifically authorized to borrow funds from Declarant to cover any shortfalls in the Association's budget during the term of the Class "B" Control Period.

8.2. Computation of General Assessments.

At least 30 days before the beginning of each fiscal year, the Board shall prepare a budget covering the estimated Common Expenses during the coming year. Except as otherwise provided in Section 8.8, General Assessments shall be fixed at a uniform rate for all Lots. Such assessment rate shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including any reserve, however, at no time shall the General Assessment be less than **TWO HUNDRED FIFTY DOLLARS (\$250.00)** annually, per Lot. In determining the total funds to be generated through the levy of General Assessments, the Board, in its discretion, may consider other sources of funds available to the Association, including any surplus from prior years and any assessment income expected to be generated from any additional Lots reasonably anticipated to become subject to assessment during the fiscal year.

So long as the Declarant has the right unilaterally to annex additional property pursuant to Section 7.1, the Declarant may, but shall not be obligated to, reduce the General Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 8.2), which may be treated as either a contribution, or a loan, in the Declarant's discretion. Any such subsidy shall be conspicuously disclosed as a line item in the Common Expense budget and the treatment of such subsidy shall be made known to the membership. The payment of such subsidy in any year shall under no circumstances obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Declarant.

The Board shall send a copy of the final budget and notice of the amount of the General Assessment for the following year to each Owner at least 30 days prior to the beginning of the fiscal year for which it is to be effective. Such budget and assessment shall become effective unless disapproved at a meeting by at least 67% of the Class "A" Members and by the Class "B" Member, if such exists. There shall be no obligation to call such a meeting unless a petition for a special meeting is presented to the Board within ten days of the delivery of the notice of assessment.

If a budget is not adopted for any year, then until such time as a budget is adopted, the budget in effect for the immediately preceding year shall continue for the current year.

In the Board's discretion, General Assessments may be collected monthly, quarterly, or annually.

8.3. Reserve Budget and Capital Contribution.

The Board may annually prepare a reserve budget which takes into account the number and nature of replacement assets within the Area of Common Responsibility, if any, the expected life of each asset, and the expected repair or replacement cost. The Board may include a contribution in an amount sufficient to permit meeting the projected needs of the Association, as shown in the budget, with respect both to amount and timing by annual General Assessments over the budget period.

Upon acquisition of record title to a Lot by the first Owner other than Declarant or a Builder, the Association may collect from the purchaser an amount not to exceed one-half of the annual General Assessment for contribution to the Association's working capital. This amount shall be in addition to, not in lieu of, the annual General Assessment per Lot, if any for that fiscal year. This amount shall be deposited into the purchase and sales escrow and disbursed there from to the Association for use in owning, maintaining, repairing, and replacing the capital assets of the Association.

8.4. Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Members representing at least 51% of Class "A" members and the Class "B" member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved. Except as otherwise provided in Section 8.8, Special Assessments shall be levied equally on all Lots.

8.5. Specific Assessments.

The Association shall have the power to levy Specific Assessments against a particular Lot as follows:

to cover the costs, including overhead and administrative costs, of providing benefits, items, or services to the Lot or occupants thereof upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize to be offered to Owners and occupants (which might include, without limitation, landscape maintenance, pest control, etc.), which assessments may be levied in advance of the provision of the requested benefit, item, or service as a deposit against charges to be incurred by the Owner. Fines levied pursuant to this Declaration and any initiation fee or transfer fee shall be Specific Assessments.

8.6. Initiation Fee and Transfer Fee.

Upon the sale of each and every Lot after it has been improved with a residence for which a certificate of occupancy has been issued, an initiation fee in the amount to be set by the Board at the time that it sets the General Assessment annually, but in no event shall said initiation fee be less than **ONE HUNDRED FIFTY DOLLARS (\$150.00)** shall be collected from the purchaser at the closing of such sale for the benefit of the Association; or if not collected at closing immediately upon demand by the Association. The initiation fee shall constitute a Specific Assessment against the Lot, shall be in addition to, not in lieu of, the annual General Assessment and shall not be considered an advance payment of such assessment. The initiation fee may be used by the Association for any purpose, including, without limitation, for the payment of operating expenses of the Association and other expenses incurred by the Association pursuant to the provisions of this Declaration. This Specific Assessment shall not apply to the holder of any first Mortgage on a Lot who becomes the Owner of a Lot through foreclosure or any other means pursuant to the satisfaction of the indebtedness secured by such Mortgage, but shall apply to the Owner acquiring the Lot from the foreclosing Mortgagee. Post payment of an initiation fee, subsequent title transfers shall cause a transfer fee up to **ONE HUNDRED FIFTY DOLLARS (\$150.00)** for the purpose of defraying expense attendant to such transfer.

8.7. Lien for Assessments.

The Association shall have a lien against each Lot to secure payment of delinquent assessments, as well as interest, charges (subject to the limitations of South Carolina law), and costs of collection (including attorneys' fees). Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, assessments; and other levies which by law would be superior, and (b) the lien or charge of any first Mortgage of record (meaning any Recorded Mortgage with first priority over other Mortgages) made in good faith and for value. Such lien, when delinquent, may be enforced by suit, judgment, and foreclosure in the same manner as mortgages are foreclosed under South Carolina law.

The Association may bid for the Lot at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Lot. While the Association owns a Lot following foreclosure: (a) no right to vote shall be exercised on behalf of such Lot; (b) no assessment shall be levied on such Lot; and (c) each other Lot shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged to such Lot had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

The sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any subsequent assessments. However, the sale or transfer of any Lot pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to such sale or transfer. A Mortgagee or other purchaser of a Lot who obtains title pursuant to foreclosure of the Mortgage shall not be personally liable for assessments on such Lot due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Lots subject to assessment under Section 8.8, including such acquirer, its successors and assigns.

8.8. Date of Commencement of Assessments.

The obligation to pay assessments shall commence upon the date of the deed of conveyance from the Declarant to the Owner/Class "A" Member. The first annual General Assessment levied on each Lot shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Lot. The assessments for any year, after the first year, shall become due and payable on the first day of January and shall become delinquent ten (10) days thereafter.

8.9. Failure to Assess.

Failure of the Board to fix assessment amounts or rates or to deliver or mail to each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay General Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

8.10. Exempt Property.

The following property shall be exempt from payment of assessments.

- (a) All Common Area and such portions of the property owned by Declarant as are included in the Area of Common Responsibility; and
- (b) Any property dedicated to and accepted by any governmental authority or public utility.
- (c) All Lots, as herein defined, purchased by a Builder, as defined in Article 1, Section 1.5, until such time that the Lots are conveyed by deed or under a Recorded contract of sale to Builder's consumers.
- (d) Any property owned by Declarant.

8.11. Public Membership.

The Association shall be authorized but not required to make available to the general public memberships in and to the use of the amenities located on the Property (hereinafter "Public Members"), and to set the assessment for same. Under no circumstances shall Public Members be entitled to any voting rights in the Association, nor shall Public Members be considered Class "A" Members of the Association.

Article IX ARCHITECTURAL STANDARDS

9.1. General.

No structure or thing shall be placed, erected, or installed upon any Lot and no improvements or other work (including staking, clearing, excavation, grading, and other site work, exterior alterations of existing improvements, or planting or removal of landscaping) shall take place within Properties, except in compliance with this Article and the Design Guidelines.

No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications. Any Owner may remodel, paint, or redecorate the interior of his or her Lot without approval. However, modifications to the interior of screened porches, patios, and similar portions of a lot visible from outside the structure shall be subject to approval.

All dwellings constructed on any portion of the Properties shall be designed by and built in accordance with the plans and specifications of a licensed architect unless Declarant or its designee otherwise approves in its sole discretion.

This Article shall not apply to Declarant's activities, or to activities of the Association during the Class "B" Control Period. Additionally, this Article shall not prevent Declarant or Builders from placing signs on the property for directional or marketing purposes.

9.2. Architectural Review.

(a) By Declarant. Each Owner, by accepting a deed or other instrument conveying any interest in any portion of the Properties, acknowledges that, as the developer of the Properties and as an owner of portions of the Properties as well as other real estate within the vicinity of the Properties, Declarant has a substantial interest in ensuring that the improvements within the Properties enhance Declarant's reputation as a community developer and do not impair Declarant's ability to market, sell, or lease its property. Therefore, each Owner agrees that no activity within the scope of this Article shall be commenced on such Owner's Lot unless and until Declarant or its designee has given its prior written approval for such activity, which approval may be granted or withheld in the Declarant's or its designee's sole discretion.

In reviewing and acting upon any request for approval, Declarant or its designee shall be acting solely in Declarant's interest and shall owe no duty to any other Person. Declarant's rights reserved under this Article shall continue so long as Declarant owns any portion of the Properties or

any real property adjacent to the properties, unless earlier terminated in a written instrument executed and Recorded by Declarant.

Declarant may, in its sole discretion, designate one or more Persons from time to time to act on its behalf in reviewing applications hereunder.

Declarant may from time to time, but shall not be obligated to, delegate all or a portion of its reserved rights under this article to (i) an architectural review committee appointed by the Board of Directors (the "ARC"), or (ii) a committee comprised of architects, engineers, or other persons who may or may not be Members of the Association. Any such delegation shall be in writing specifying the scope of responsibilities delegated. It shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (ii) Declarant's right to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of the foregoing shall be limited to such matters as Declarant specifically delegates to it.

(b) Architectural Review Committee. Upon delegation by Declarant or upon expiration or termination of Declarant's rights under this Article, the Association, acting through the ARC, shall assume jurisdiction over architectural matters. The ARC, when appointed, shall consist of at least three, but not more than five, persons who shall serve and may be removed and replaced in the Board's discretion. The members of the ARC need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers, or similar professionals who may be compensated in such manner and amount if any, as the Board may establish.

Unless and until such time as Declarant delegates all or a portion of its reserved rights to the ARC or Declarant's rights under this Article terminate, the Association shall have no jurisdiction over architectural matters.

(c) Reviewer. For purposes of this Article, the entity having jurisdiction in a particular case shall be referred to as the "Reviewer."

(d) Fees: Assistance. The Reviewer may establish and charge reasonable fees for review of applications and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals. Declarant and the Association may employ architects, engineers, or other persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget.

9.3. Guidelines and Procedures.

(a) Design Guidelines. The Declarant has prepared initial Design Guidelines for the Properties as outlined in Exhibit 'B.' The Design Guidelines may contain general provisions applicable to all of the Properties, as well as specific provisions applicable to various portions of the Properties. The Design Guidelines are intended to provide guidance to Owners and Builders

regarding matters of particular concern to those reviewing applications hereunder. The Design Guidelines are not the exclusive basis for decisions on architectural matters and compliance with the Design Guidelines does not guarantee approval of any application.

The Design Guidelines shall be available to Owners and Builders who seek to engage in development or construction within the Properties. Any amendments to the Design Guidelines shall be prospective only and shall not require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Design Guidelines; the Declarant is expressly authorized to amend the Design Guidelines to remove requirements previously imposed or otherwise to make the Design Guidelines less restrictive.

All structures and improvements constructed upon a Lot shall be constructed in strict compliance with the Design Guidelines in effect at the time the plans for such improvements are submitted for approval, unless the Declarant has granted a variance in writing pursuant to Section 9.5.

(b) Procedures. No activities within the scope of this Article shall commence on any portion of the Properties until an application for approval of the proposed work has been submitted to and approved by the Reviewer. Such application shall be in the form required by the Reviewer and shall include plans and specification ("Plans") showing the site layout, structural design, exterior elevations, exterior materials and colors, signs, landscaping, drainage, lighting, irrigation, utility facilities layout, and screening therefore, and other features of proposed construction, as applicable. The Reviewer may require the submission of such additional information as it deems necessary to consider any application.

In reviewing each submission, the Reviewer may consider (but shall not be restricted to consideration of) the quality of workmanship and design, harmony of external design with existing structures, and location in relation to surrounding structures, topography, and finish grade elevation, among other things; decisions may be based on purely aesthetic considerations. Each Owner acknowledges that opinions on aesthetic matters are subjective and may vary as the Reviewers and their personnel change over time.

In the event that Reviewer fails to approve or to disapprove in writing any application within 30 days after submission of all information and materials reasonably requested, the application shall be deemed approved. However, no approval, whether expressly granted or deemed granted pursuant to the foregoing, shall be inconsistent with the Design Guidelines unless a variance has been granted in writing.

If construction does not commence on a project for which approval has been granted within 12 months of such approval, such approval shall be deemed withdrawn, and it shall be necessary for the Owner to re-submit the Plans for reconsideration. All work shall be completed within one year of commencement or such other period as specified in the notice of approval, unless completion within such time is delayed due to causes beyond the reasonable control of the Owner, as determined in the sole discretion of the Reviewer.

9.4. No Waiver of Future Approvals.

Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

9.5. Variance.

The Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted resolutions. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) estop the Declarant from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

9.6. Limitation of Liability.

The standards and procedures established by this Article are intended to enhance the overall aesthetics of the Properties and shall not create any duty to any Person. The Reviewer shall bear no responsibility for ensuring the structural integrity or soundness of approved construction or modifications, or for ensuring compliance with building codes and other governmental requirements, nor for ensuring the appropriateness of soils, drainage, and general site work. Neither the Declarant, the Association, the Board, any committee, nor member of any of the foregoing shall be held liable for any injury, damages, nor loss arising out of the manner of the quality of approved construction on or modifications to any Lot. Reviewers shall be defended and indemnified by the Association as provided in Section 4.6.

9.7. Certificate of Compliance.

Any Owner may request that the Reviewer issue a certificate of architectural compliance certifying that there are no known violations of this Article or the Design Guidelines. The Association shall either grant or deny such request within 30 days after receipt of a written request and may charge a reasonable administrative fee for issuing such certificates. Issuance of such a certificate shall estop the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate.

9.8. Enforcement.

Any structure or improvement placed or made in violation of this Article or the Design Guidelines shall be deemed to be nonconforming, except to the extent that a variance has been granted pursuant to Section 9.5. Upon written request from the Board or the Declarant, Owners shall, at their own expense, remove such structure or improvement and restore the property to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, the Board or its designees shall have the right to enter the

property, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with interest at the maximum rate then allowed by law, may be assessed against the benefited Lot and collected as a Specific Assessment.

Unless otherwise specified in writing by the Reviewer, all approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Lot, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work, the Association shall be authorized, after notice to the Owner of the Lot and an opportunity to be heard in accordance with Section 3.24 of the By-Laws, to enter upon the Lot and remove or complete any incomplete work and to assess all costs incurred against the Lot and the Owner thereof as a Specific Assessment.

Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article and the Design Guidelines may be excluded by the Board from the Properties, subject to the notice and hearing procedures contained in the By-Laws. In such event, neither the Association, its officers, directors, nor committee members shall be held liable to any Person for exercising the rights granted by this paragraph.

In addition to the foregoing, the Association and the Declarant shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the Reviewer.

Article X RESTRICTIONS AND RULES

10.1. Plan of Development; Applicability; Effect.

Declarant has established a general plan of development for the Properties in order to enhance all Owners' quality of life and collective interests, all subject to the Board's and the Members' ability to respond to changes within the planned community. The Properties are subject to provisions of this Declaration governing individual conduct and uses of or actions upon the Properties, and the Restrictions and Rules attached as Exhibit "C," all of which establish affirmative and negative covenants, easements, and restrictions on the land subject to this Declaration.

All provisions of this Declaration and the Restrictions and Rules shall apply to all Owners, occupants, tenants, guests, and invitees of any Lot. Any lease on any Lot shall provide that the lessee and all occupants of the leased Lot shall be bound by the terms of the Governing Documents.

10.2. Authority to Promulgate Restrictions and Rules.

The Board shall have the authority to promulgate, revise, and enforce rules and regulations governing the Area of Common Responsibility (e.g., hours of operation, speed limits, etc.) based on its business judgment without complying with the procedures set forth in this Section 10.2.

In addition, the Board and the Members may adopt, modify, cancel, limit, create exceptions to, or expand Restrictions and Rules which affect and restrict Lots and the conduct of Members within the Properties. Initial Restrictions and Rules applicable to all of the Properties are attached as Exhibit "C." Subject to the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, and subject to the rights of Owners set forth in Section 10.6, the Board may adopt, amend, or modify the Restrictions and Rules as follows:

(a) The Board shall send notice by mail to all owners concerning any such proposed action at least five business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

Such action shall become effective unless disapproved at a meeting by at least 51% of the total Class "A" votes and by the Class "B" Member, if any. The Board shall have no obligation to call a meeting of the Members to consider disapproval except upon petition of the Members as required for special meetings in the By-Laws.

(b) Alternatively, the Members, at a special meeting duly called as provided in the ByLaws, may adopt rules which modify, cancel, limit, create exceptions to, or expand the Restrictions and Rules previously adopted by a vote of at least 51% of the total Class "A" votes in the Association and the approval of the Class "B" Member, if any.

(c) At least 30 days prior to the effective date of any action taken under subsections (a) or (b) of this Section, the Board shall send a copy of the rule to each Owner. The Association shall provide, without cost, a copy of the Restrictions and Rules then in effect to any requesting Member or Mortgagee.

(d) Nothing in this Article shall authorize the Board or the Members to modify, repeal, or expand the Design Guidelines. In the event of any inconsistency between the Design Guidelines and the Restrictions and Rules, the Design Guidelines shall control.

10.3. Owners' Acknowledgment.

All Owners and occupants of Lots are given notice that use of their Lots is limited by the Restrictions and Rules as they may be amended, expanded, and otherwise modified hereunder. Each Owner, by acceptance of a deed or entering into a Recorded contract of sale, acknowledges and agrees that the use, enjoyment, and marketability of his or her Lot can be affected, that the Restrictions and Rules may change from time to time, and that such changes may not be reflected in a Recorded document.

All Owners and occupants shall abide by the Restrictions and Rules as they may be amended, expanded, or otherwise modified hereunder. The Board shall have the power to enforce compliance with the Restrictions and Rules by all appropriate legal and equitable remedies, and an Owner determined by judicial action to have violated the Restrictions and Rules shall be liable to the Association for all damages and costs, including reasonable attorneys' fees, incurred by the Association in connection therewith.

10.4 Restricted Action by Owner.

No Owner shall permit anything to be done on or in the Area of Common Responsibility which would violate any applicable public law or zoning ordinance or which would result in the cancellation or increase of any insurance carried by the Association.

10.5. Damage to the Area of Common Responsibility.

Each Owner shall be liable to the Association for any damage to the Area of Common Responsibility caused by the negligence or willful misconduct of the Owner or such Owner's family, guests, pets, tenants, invitees, or vehicles.

10.6. Rights of Owners.

Except as may be specifically set forth in this Declaration (either initially or by amendment), neither the Board nor the Members may adopt any rule in violation of the following provisions:

(a) Similar Treatment. Similarly situated Owners and occupants shall be treated similarly.

(b) Religious and Holiday Displays. The rights of Owners to display religious and holiday signs, symbols, and decorations inside structures on their Lots of the kinds normally displayed in residences located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt time, place, and manner restrictions for the purpose of minimizing damage and disturbance to other Owners and occupants.

(c) Household Composition. No rule shall interfere with the freedom of occupants of Lots to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping Lot and to limit the total number of occupants permitted to each Lot on the basis of the size and facilities of the Lot and its fair use of the Common Area.

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

(e) Allocation of Burdens and Benefits. No rule shall alter the allocation of financial burdens among the various Lots or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Areas available, from adopting generally applicable rules for use of the Common Area, or from denying use privileges to those who abuse

the Common Area, violate rules or this Declaration, or fail to pay assessments. This provision does not affect the right to increase the amount of assessments as provided in Article VIII.

(f) Reasonable Rights to Develop. No rule or action by the Association or Board shall unreasonably impede the Declarant's right to develop the Properties.

(g) Abridging Existing Rights. If any rule would otherwise require Owners or occupants of Lots to dispose of personal property which they maintained in or on the Lot prior to the effective date of such rule, or to vacate a Lot in which they resided prior to the effective date of such rule, and such property was maintained or such occupancy was in compliance with this Declaration and all rules previously in force, such rule shall not apply to any such Owners without their consent unless the rule was in effect at the time such Owners or occupants acquired their interest in the Lot.

The limitations in this Section 10.6 shall apply to Restriction and Rules only; they shall not apply to amendments to this Declaration adopted in accordance with Section 15.2.

Article XI EASEMENTS

11.1. Easements of Encroachment.

There shall be reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Lot and any adjacent Common Area and between adjacent Lots due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement. Additionally, there shall be a landscaping easement reserved for the Association, for the maintenance of all Association items, including, but not limited to, fences, landscaping, entrance monuments, lighting, and permitted signage.

11.2. Easements for Utilities, Etc.

(a) There are hereby reserved to the Declarant, so long as the Declarant owns any property described on Exhibit "A" of this Declaration, the Association, and the designees of each (which may include, without limitation, any governmental or quasi- governmental entity and any utility company), perpetual non-exclusive easements upon, across, over, and under all of the Properties (but not through a structure) to the extent reasonably necessary for the purpose of monitoring, replacing, repairing, maintaining, and operating cable television systems, master television antenna systems, and other devices for sending or receiving data and/or other electronic signals; security and similar systems; roads, walkways, pathways, and trails; wetlands and drainage systems; street lights and signage; and all utilities, including, but not limited to, water, sewers, telephone, gas and electricity, and utility meters; and for the purpose of installing any of the

foregoing on property which the Declarant or the Association owns or within easements designated for such purposes on Recorded plats of the Properties.

Declarant specifically grants to the local water supplier, sewer authority, electric company, telecommunications company, cable provider, and natural gas supplier easements across the Properties for ingress, egress, installation, reading, replacing, repairing, and maintaining utility lines, meters, and boxes, as applicable.

(b) There is hereby reserved to the Declarant, so long as the Declarant owns any property described on Exhibit "A" of this Declaration, the non-exclusive right and power to grant and Record such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described on Exhibit "A."

(c) Any damage to a Lot resulting from the exercise of the easements described in subsections (a) and (b) of this Section shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of these easements shall not extend to permitting entry into the structures on any Lot, nor shall it unreasonably interfered with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant.

11.3. Right of Entry.

The Association shall have the right, but not the obligation, to enter upon any Lot for emergency, security, and safety reasons, to perform maintenance pursuant to Article V hereof, and to inspect for the purpose of ensuring compliance with the Governing Documents. Such right may be exercised by the Declarant, any member of the Board, the Association's officers, agents, employees, managers, and committee members, and all police officers, firefighters, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. This right of entry shall include the right of the Association to enter upon any Lot to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition within a reasonable time after requested by the Board, but shall not authorize entry into any single family detached dwelling without permission of the Owner, except by emergency personnel acting in their official capacities.

11.4. Sewer Easements.

The Lots may be subject to a sewer easement traversing through the Properties which easement is for the benefit of Anderson County, South Carolina, Metropolitan Sewer Authority, and others as shown and described on the Master Plan or Recorded plats for the Properties.

Article XII MORTGAGEE PROVISIONS

The following provisions are for the benefit of holders, insurers, and guarantors of first Mortgages on Lots in the Properties. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained herein.

12.1. Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage who provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Lot to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Properties or which affects any Lot on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owned by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Declaration or By-Laws relating to such Lot or the Owner or Occupant which is not cured within 60 days;

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) Any proposed action which would require the consent of a specified percentage of Eligible Holders.

12.2. No Priority.

No provision of this Declaration or the By-Laws gives or shall be continued as giving any Owner or other party priority over any rights of the first Mortgagee of any Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

12.3. Notice to Association.

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Lot.

12.4. Failure of Mortgagee to Respond.

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee with 30 days from the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

Article XIII DECLARANT'S RIGHTS

Any or all of the special rights and obligations of the Declarant set forth in this Declaration or the By-Laws may be transferred or assigned in whole or in part to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that which the Declarant has under this Declaration or the By-Laws. No such transfer or assignment shall be effective unless it is in a written instrument signed by the Declarant and duly Recorded.

The Declarant and Builders authorized by Declarant may maintain and carry on without fee or charge upon portions of the Common Area such facilities and activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the construction or sale of Lots, including, but not limited to, business offices, signs, model homes, and sales offices. The Declarant and authorized Builders shall have easements for access to and use of such facilities.

The Declarant and its employees, agents, and designees shall also have a right and easement over and upon all of the Common Area for the purpose of making, constructing, and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

No Person shall Record any declaration of covenants, conditions, and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties without Declarant's review and written consent. Any instrument Recorded without such consent shall be void and of no force and effect unless subsequently approved by the Declarant in a Recorded instrument.

Notwithstanding any contrary provision of this Declaration, no amendment to or modification of any Restrictions and Rules or Design Guidelines made after terminating of the Class "B" Control Period shall be effective without prior notice to and the written approval of Declarant so long as the Declarant owns any portion of the Properties primarily for development and sale.

This Article may not be amended without the written consent of the Declarant. The rights contained in this Article shall terminate upon the earlier of (a) 20 years from the date this Declaration is Recorded, or (b) upon Recording by Declarant of a written statement that all sales activity has ceased.

Article XIV DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

14.1. Agreement to Avoid Litigation.

The Declarant, the Association, its officers, directors, and committee members, all Persons subject to this Declaration, any Builder, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving the Properties, without the emotional and financial costs of litigation. Accordingly, each Bound party covenants and agrees that those claims, grievances, or

disputes described in Section 14.2 (“Claims”) shall be resolved using the procedures set forth in Section 14.3 in lieu of filing suit in any court.

14.2. Claims.

Unless specifically exempted below, all claims, grievances, or disputes arising out of or relating to the interpretation, application, or enforcement of the Governing Documents, or the rights, obligations and duties of any Bound Party under the Governing Documents or relating to the design or construction of improvements on the Properties shall be subject to the provisions of Section 14.3.

Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be Claims and shall not be subject to the provisions of Section 14.3:

(a) any suit by the Association against any Bound Party to enforce the provisions of Article VIII (Assessments);

(b) any suit by the Association to obtain a temporary restraining order (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association’s ability to enforce the provisions of Article IX (Architectural Standards) and Article X (Restrictions and Rules);

(c) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;

(d) any suit in which any indispensable party is not a Bound Party; and

(e) any suit as to which any applicable statute of limitations would expire within 180 days of giving the notice.

With the consent of all parties thereto, any of the above may be submitted to the alternative dispute resolution procedures set forth in Section 14.3.

14.3. Mandatory Procedures.

(a) Notice. Any Bound Party having a Claim (“Claimant”) against any other Bound Party (“Respondent”) (collectively, the “Parties”) shall notify each Respondent in writing (the “Notice”), stating plainly and concisely:

- (i) the nature of the Claim, including the Persons involved and Respondent’s role in the Claim;
- (ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);

- (iii) Claimant's proposed remedy; and
- (iv) that Claimant will meet with Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the parties have not resolved the Claim through negotiation within 30 days of the date of the Notice described in Section 14.3(a) (or within such other period as the parties may agree upon), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Anderson County area.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Party shall bear its own costs of the mediation, including attorneys' fees, and each Party shall share equally all fees charged by the mediator.

(d) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

14.4. Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by at least 67% of the total Class "A" votes in the Association, except that no such approval shall be required for actions or proceedings:

- (a) initiated during the Class "B" Control Period;
- (b) initiated to enforce the provisions of this Declaration, including collection of assessments and foreclosure of liens;
- (c) initiated to challenge ad valorem taxation or condemnation proceedings;
- (d) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or
- (e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This Section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

Article XV GENERAL PROVISIONS

15.1. Duration.

Unless terminated, this Declaration shall have perpetual duration. If South Carolina law hereafter limits the period during which covenants may run with the land, then to the extent consistent with such law, this Declaration shall automatically be extended at the expiration of such period for successive periods of 20 years each, unless terminated as provided herein. Any terminating of this Declaration shall be by a Recorded instrument filed in Anderson County, South Carolina. No easement may be terminated without the written consent of the easement holder. Notwithstanding the above, if any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

15.2. Amendment.

The Declaration may be amended as provided in this Section. Amendments to this Declaration shall become effective upon Recordation, unless a later effective date is specified therein.

(a) By Declarant. So long as Declarant owns any property described on Exhibit "A," or which may become subject to this Declaration pursuant to Section 7.1, it may unilaterally amend this Declaration to (a) bring any provision hereof into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) enable any title insurance company to issue title insurance coverage; (c) if such amendment is required by an institutional or governmental lender or purchaser of mortgage loans; or (d) if such amendment is necessary to enable any governmental agency or private insurance company to insure or guarantee Mortgage loans. However, any such amendment shall not adversely affect the title to any Owner's Lot unless

any such Lot Owner shall consent thereto in writing. Further, so long as Declarant has the right unilaterally to subject additional property to this Declaration as provided in Section 7.1, Declarant may unilaterally amend this Declaration for any other purpose; provided, any such amendment shall not materially adversely affect the substantive rights of any Lot Owners hereunder, nor shall it adversely affect title to any Lot without the consent of the affected Lot Owner.

(b) By the Board. The Board, by two-thirds (2/3) vote of the directors and without the consent of the Owners, shall be authorized to amend this Declaration to conform this Declaration to the requirements of any governmental agency, federal, state or local, and for the requirements of any mortgage lender or for any reason that the Declarant deems advisable for the orderly development of the Properties or the operation of the Association. Any such amendment shall require the consent of the Declarant so long as the Declarant owns any property described in Exhibit "A," or which may become subject to this Declaration pursuant to Section 7.1.

(c) By the Owners. This Declaration may be amended upon the affirmative vote or written consent, or any combination thereof, of the Members holding at least two-thirds (2/3) of the total number of Class "A" votes in the Association, and the consent of Declarant (so long as the Declarant owns any property described in Exhibit "A" for development and/or sale or has the right to unilaterally subject additional property to this Declaration).

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

No amendment may remove, revoke, or modify any right or privilege of the Declarant or the Class "B" Member without the written consent of the Declarant or the Class "B" Member, respectively (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon Recording, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its Recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provision of this Declaration.

The amendments authorized by this Section may be of uniform or non-uniform application and Owners shall be deemed to have agreed that the Declaration may be amended as provided herein and that any rule of law requiring unanimous approval of amendments having a non-uniform application shall not apply.

15.3. Severability.

Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provisions or applications.

15.4. Cumulative Effect Conflict.

The provisions of the Governing Documents shall be cumulative. Nothing in this Section shall preclude any Supplemental Declaration or other Recorded declaration, covenants, and restrictions applicable to any portion of the Properties from containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration, and the Association shall have the standing and authority to enforce the same.

15.5. Compliance.

Every Owner and occupant of any Lot shall comply with the Governing Documents. Subject to the terms of Article XIV, failure to comply shall be grounds for an action by the Association or, in a proper case, by any aggrieved Lot Owner(s) to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, in addition to those enforcement powers granted to the Association in Section 4.3.

15.6. Notice of Sale or Transfer of Title.

Any Owner desiring to sell or otherwise transfer title to his or her Lot shall give the Board at least seven days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Lot, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

15.7. Exhibits.

Exhibits "A" and "B" attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by the provisions of Section 15.2. Exhibit "C" is incorporated by reference and may be amended in accordance with Section 15.2 of Article X. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration this
13th day of November, 2007.

DECLARANT:

WELPINE, LLC (SEAL)
A South Carolina limited liability corporation

By: Jim Davis (SEAL)
Its: My Partner

In the presence of:

Elizabeth K. Fowler

WITNESS

Karen M. Kolb

NOTARY PUBLIC

STATE OF SOUTH CAROLINA)

) ACKNOWLEDGMENT

COUNTY OF GREENVILLE)

I, Karen M. Kolb, a Notary Public, do hereby certify that Welpine, LLC, by and through its authorized signatory, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

SWORN TO and subscribed before me
this 13th day of November, 2007.

Karen M. Kolb
Notary Public for South Carolina

My commission expires: 02/27/2012

EXHIBIT "A"

Land Initially Submitted (Sullivan Hills)

ALL those certain pieces, parcels, or lots of land situate, lying, and being in the County of Anderson, State of South Carolina, as shown on that survey prepared by Azimuth Control, Inc., dated March 18, 2007, entitled "Sullivan Hills (Phase I)," and recorded in the Register of Deeds Office for Anderson County, South Carolina, in Plat Book S1693, at Page 3, on April 17, 2007. Reference to said plat is hereby craved for a more complete metes and bounds description. This property is referred to throughout as "Sullivan Hills."

EXHIBIT "B"

Design Guidelines

The basic design guidelines are established in accordance with zoning conditions set forth by the Anderson County Planning Commission as set forth on the final recorded subdivision plat. All other design guidelines are subject to the reasonable judgment of the Board, its designees, the Architectural Committee, and the Design Guidelines incorporated herein.

Design Guidelines

1. **AUTHORITY.** These Design Standards are promulgated pursuant to authority granted to the Architectural Review Committee (hereinafter referred to as the "ARC") of Sullivan Hills (hereinafter referred to as the "Development") under the Declaration of Covenants, Restrictions and Easements for Sullivan Hills (hereinafter referred to as the "Declaration"). The requirements of these Design Standards shall be in addition to and not in lieu of the requirements and provisions of the Declaration.
2. **PURPOSE.** Plans and specifications must be submitted to and approved by the ARC pursuant to the Declaration and these Design Standards for the sole and exclusive purpose of assuring that all Structures within the Development remain in conformity and harmony of external design with existing standards of the neighborhood.
3. **DEFINITIONS.** The words "Structure," "Owner," and "Unit" as used herein shall have the same meanings as such words have in the Declaration.
4. **SUBMISSION OF PLANS AND SPECIFICATIONS.**
 - A. Plans and specifications for the construction or replacement of any Structure on any Lot shall be submitted to and reviewed by the ARC in accordance with the requirements of Article IX of the Declaration. Each Owner shall submit to the ARC two (2) complete sets of such plans and specifications clearly designating which Lot is covered by such plans and specifications.
 - B. All plans and specifications required to be submitted to the ARC shall be delivered to the following address:

Welpine, LLC
Attn: Jimmy Davis
Post Office Box 5057
Anderson, South Carolina 29623

5. CONSTRUCTION.

- A. After approval by the ARC of plans and specifications for any Structure and prior to the commencement of any construction or grading on the Lot for which such plans and specifications were approved, the location of such Structure shall be clearly marked on such Lot. After such marking, the Owner or the Owner's contractor shall request in writing that a representative of the ARC inspect the proposed location of the Structure as marked on the Lot to determine whether such location is consistent with the guidelines for location of buildings. After receipt of such written request, the ARC shall have the right to inspect the proposed location of the Structure as marked on the Lot, and notify the Owner in writing of its approval or disapproval of the proposed location of the Structure. In any case in which the ARC shall disapprove the proposed location, or shall approve the same only as modified or upon specified conditions, such disapproval or qualified approval shall be accompanied by a statement of the ground or grounds upon which such action was based. In any case the ARC shall, if requested, make reasonable efforts to assist and advise the applicant in order that an acceptable location may be marked and submitted for approval. In no event shall the Owner allow any grading or cutting of trees on the Lot prior to approval of the proposed location by the ARC. In the event the ARC fails to make the foregoing inspection and notify the Owner of its approval or disapproval of the proposed location of the Structure within thirty (30) days after receipt of written request, the ARC shall be deemed to have approved the proposed location.
- B. During approved construction, all vehicles in any way connected with such construction shall enter the Lot under construction only by the driveway as approved in the plans and specification by the ARC. In no event shall any driveways other than those approved by the ARC be constructed or used for temporary access to any Lot. All vehicles shall be parked at the Lot to avoid damage to trees, paving, curbs, gutters and any other improvements on the Lot.
- C. Construction debris shall be removed as often as necessary to keep the Lot and any Structure thereon attractive. Construction debris shall not be dumped in any area of the Development unless approved in writing by the ARC.
- D. Lots shall be graded in such a manner so as not to block any natural or manmade swales, ditches, or drainage structures. Earth, hay berms, and/or silt fences shall be installed on Lots by the Owner thereof when, in the opinion of the ARC, such Lot may erode due to topography. Whenever possible, Lots shall drain independently rather than to adjoining Lots.

6. DESIGN DETAILS.

- A. Minimum House Sizes. No residential Structure shall exceed three stories in height; minimum heated finished floor area is 1,800 square feet of living space, not to include basement area or attic space.

- B. Set-Backs. Building area set-backs shall be within the recommended building lines indicated on the recorded subdivision plat of Sullivan Hills, provided, however, that less restrictive set-backs may be approved by the ARC if an exception is requested when plans and specifications are submitted to the ARC for approval. In no event shall the set-backs be less than those required by the Anderson County Subdivision Ordinance.
- C. Exterior Colors and Materials. All exterior colors and materials of all Structures shall be specified in the plans and specifications submitted to the ARC, along with a sample of same, for approval and shall be subject to the color and material guidelines contained in Section 8 of these Design Standards. Should a homeowner wish to make changes in these scheduled color schemes or in the colors of the initial construction, this may be done only by consulting with the ARC in order to achieve a well coordinated color scheme throughout the community.
- D. Roof. Roofing material and color shall be specified in the plans and specifications submitted to the ARC for approval, and shall be subject to the color and material guidelines contained in Section 8 of these Design Standards. No plumbing or heating vent shall penetrate the roof surfaces which face the street or streets adjacent to the residential Structures without the approval of the ARC.
- E. Driveways. Driveways shall be constructed with concrete, provided, however, that other hard surface materials may be approved by the ARC if an exception is requested when plans and specifications are submitted to the ARC for approval.
- F. Landscaping. A written plan of landscaping must be submitted to the ARC prior to all major alterations of the landscaping; this plan should include a drawing to show location, variety and size of all plant materials, as well as location and description of all "hardscape" items such as fences, walls, rocks, fountains, statuary, and so forth. Statues, cement ornamental structures, and plastic flowers shall not be permitted in the front yard of any Lot.
- G. Mailboxes. No mail box or paper box or other receptacle of any kind for use in the delivery of mail, newspapers or similar material shall be erected or placed on any Lot or Structure unless it shall conform to the design and specifications adopted for the entire Development and plans and specifications are available from the ARC.
- H. Manufactured Structures. Pre-fabricated or factory built Structures shall not be permitted within the Development, or employed as elements in the construction of residential Structures within the Development except by express written consent of the ARC.

7. SITE PLANNING AND DESIGN.

- A. Location of Structures. All additions to or alterations of Structures together with related paved and open areas, shall be located on each Lot to:
 - (1) minimize changes in the existing topography;

- (2) preserve existing trees and vegetation to the maximum extent possible;
- (3) control drainage and prevent erosion; and
- (4) create prime views and conceal unsightly areas.

8. COLORS AND MATERIALS GUIDELINES.

A. Materials.

- (1) A minimum number of exterior materials shall be used on Structures to avoid a cluttered appearance. Where two materials are used (in addition to glass), one shall be dominant. All additions to and alterations of Structures shall utilize the same (or as close as reasonably practicable) materials, styles, and colors as were utilized in the initial construction of each Structure.
- (2) Secondary materials, when used, shall complement the dominant material in texture and color.
- (3) The exterior materials of all Structures on all Lots shall be harmonious and complementary.

B. Colors.

- (1) The exterior colors of the doors, walls, and roof of a single-family residential Structure shall be compatible and harmonious with the colors of nearby single-family residential Structures. Highly reflective colors shall be avoided.
- (2) A minimum number of exterior colors shall be used. When more than one color is used, one shall be clearly dominant.
- (3) Secondary colors shall be:
 - (a) compatible with the dominant colors;
 - (b) limited to architectural details such as fascia frames and other building trim.
- (4) High contrast colors, when used on Structures shall be limited to major architectural elements such as entry doors.
- (5) All changes of colors of each Structure must be approved by the ARC.

9. SCREENING GUIDELINES.

- A. General. Screening may be used within the Development to define private spaces or to attract or divert attention to or from particular views.

- B. Methods of Screening. Subject to the approval of the ARC, the following methods of screening may be used:
- (1) earth banks and berms - such earth banks and berms shall:
 - (a) have a maximum slope of 3:1, and
 - (b) be covered with an acceptable grass or ground cover suited to the slope.
 - (2) Planting screens - such planting screens shall:
 - (a) be composed of specie approved by the ARC;
 - (b) be installed at a minimum height of 3 feet, with an expected three year height of 6 to 8 feet; and
 - (c) be spaced at a density which will create an effective year-round visual screen.
 - (3) Fences and walls - unless otherwise approved by the ARC, fences and walls shall:
 - (a) complement the design, texture, and color of all Structures on the same Lot;
 - (b) be a maximum of 6 feet above grade in height;
 - (c) include planting as an integral component;
 - (d) not attract attention as distinct architectural elements, and
 - (e) be finished and maintained equally on both sides.
10. AMENDMENT. These Design Standards may be amended from time to time by a majority vote of the members of the ARC.
11. VARIANCES. Notwithstanding anything to the contrary contained herein, the ARC shall be authorized to grant individual variances from any of the provisions of these Design Guidelines if the ARC determines that the waiver of application or enforcement of the provision in a particular case would not be inconsistent with the overall scheme of development for Sullivan Hills.
12. INITIAL CONSTRUCTION. Notwithstanding anything to the contrary contained herein, these Design Standards shall not apply to the initial construction by the original builder of the original Structure on each Lot, nor shall the Design Standards apply to any construction by Declarant in the Common Areas or infrastructure or amenities installed by Declarant.

EXHIBIT "C"
Initial Restrictions and Rules

The following restrictions shall apply to all of the Properties until such time as they are amended, modified, repealed, or limited pursuant to Article X of the Declaration.

1. General. The Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, an information center and/or a sales office for any real estate broker retained by the Declarant or Builders to assist in the sale of property described on Exhibit "A," offices for any property manager retained by the Association, or business offices for the Declarant or the Association) consistent with this Declaration and any Supplemental Declaration.
2. Restricted Activities. The following activities are prohibited within the Properties unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board.
 - (a) Parking of any vehicles on streets or thoroughfares, paved or unpaved, within the Properties overnight or for any continuous period exceeding eight hours, or storing of commercial vehicles (including but not limited to vehicles that have advertising for a business in which the nature is commercial, roof racks, racks for the storage of tools and equipment or any other vehicle that the Architectural Review Committee deems commercial) or equipment, mobile homes, recreational vehicles, boats and other water craft, trailers, stored vehicles, or inoperable vehicles in places other than enclosed garages or rear yards which are not visible from the street or other residences, regardless of duration; provided, construction, service and delivery vehicles shall be exempt from this provision during daylight hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Lot or the Common Areas;
 - (b) Raising, breeding, or keeping of animals, livestock, or poultry of any kind, except that a reasonable number of dogs, cats, or other usual and common household pets may be permitted in a Lot; however, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Lots shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet. Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the dwelling. Owners must pick up all pet waste on common areas, other Owner's Lots and their own Lot. Pets shall be registered, licensed, and inoculated as required by law;
 - (c) Any activity which omits foul or obnoxious odors outside the Lot or creates noise or other conditions which tend to disturb the peace or threaten the safety of the occupants of other Lots;

- (d) Any activity which violates local, state, or federal laws or regulations; however, the Board shall have no obligation to take enforcement action in the event of a violation;
- (e) Pursuit of hobbies or other activities which tend to cause an unclean, unhealthy, or untidy condition to exist outside of enclosed structures on the Lot;
- (f) Any noxious or offensive activity which in the reasonable determination of the Board tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the occupants of other Lots;
- (g) Outside burning of trash, leaves, debris, or other materials, except during the normal course of constructing a dwelling on a Lot;
- (h) Construction, erection, or installation of any fence, wall, or hedge, except that a wooden privacy fence not exceeding six feet in height and constructed in strict compliance with the Design Guidelines and approved in writing by Declarant or the ARC pursuant to Article IX shall be permitted. Metal, wire, or chain link fences are strictly prohibited;
- (i) Use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be audible to occupants of other Lots, except alarm devices used exclusively for security purposes;
- (j) Use and discharge of firecrackers and other fireworks;
- (k) Dumping of grass clippings, leaves, or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, lake, stream, or elsewhere within the Properties, except that fertilizers may be applied to landscaping on Lots provided care is taken to minimize runoff, and Declarant and Builders may dump and bury rocks and trees removed from a building site on such building site;
- (l) Accumulation of rubbish, trash, or garbage except between regular garbage pick ups, and then only in approved containers;
- (m) Obstruction or rechanneling of drainage flows after location and installation of drainage swales, storm sewers, or storm drains, except that the Declarant and the Association shall have such right; provided, the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Lot without the Owner's consent;
- (n) Subdivision of a Lot into two or more Lots, or changing the boundary lines of any Lot after a subdivision plat including such Lot has been approved and Recorded, except that the Declarant shall be permitted to subdivide or replat Lots which it owns;

- (o) Use of any Lot for operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Lot rotates among participants in the program on a fixed or floating time schedule over a period of years, except that Declarant and its assigns may operate such a program with respect to Lots which it owns;
- (p) Discharge of firearms; provided, the Board shall have no obligation to take action to prevent or stop such discharge;
- (q) On-site storage of gasoline, heating, or other fuels, except that a reasonable amount of fuel may be stored on each Lot for emergency purposes and operation of lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment;
- (r) Any business, trade, garage sale, moving sale, rummage sale, or similar activity, except that an Owner or occupant residing in a Lot may conduct business activities within the Lot so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Lot; (ii) the business activity conforms to all zoning requirements for the Properties; (iii) the business activity does not involve regular visitation of the Lot by clients, customers, suppliers, or other business invitees or door-to-door solicitation of residents of the Properties; and (iv) the business activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Properties, as may be determined in the sole discretion of the Board: The terms "business" and "trade", as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time, (ii) such activity is intended to or does generate a profit, or (iii) a license is required.

The leasing of a Lot shall not be considered a business or trade within the meaning of this subsection. This subsection shall not apply to any activity conducted by the Declarant or a Builder approved by the Declarant with respect to its development and sale of the Properties or its use of any Lots which it owns within the Properties.

- (s) Capturing, trapping, or killing of wildlife within the Properties, except in circumstances posing an imminent threat to the safety of persons using the Properties;
- (t) Any activities which materially disturb or destroy the vegetation, wildlife, wetlands, or air quality within the Properties or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution;

- (u) Conversion of any carport or garage to finished space for use as an apartment or other integral part of the living area on any Lot without the prior approval of the appropriate committee pursuant to Article IX;
- (v) Operation of motorized vehicles on pathways or trails maintained by the Association;
- (w) Any construction, erection, or placement of anything, permanently or temporarily, in the front yard or otherwise visible from the street or another residence, unless permitted under the Design Guidelines or approved in accordance with Article IX of the Declaration. This shall include, without limitation, signs; banners; basketball goals, swing sets, and similar sports and play equipment; clotheslines; garbage cans; woodpiles; above-ground swimming pools; docks, piers, and similar structures; and hedges, walls, dog runs, animal pens, or fences of any kind, lawn "art", sculptures, architecture, arbors, regardless of whether any of the items above are removable or permanent;
- (x) Except as may be required by legal proceedings, no sign, advertising posters or billboards of any kind shall be erected, placed, or permitted to remain in the Common Areas without prior written consent of the Board or its designee. The Board shall have the right to elect reasonable and appropriate signs on behalf of the Association. The Board also shall have the authority to adopt regulations permitting temporary signs on Lots announcing open houses, births, birthdays or other events for limited periods of time. Furthermore, notwithstanding anything to the contrary set forth herein, Declarant shall not be required to obtain approval from the ARC or the Board to erect and maintain signs in the Common Areas and Declarant shall be permitted to erect and maintain such signs in its sole discretion; and
- (y) Any satellite dishes, antennas, and similar devices for the transmission of television, radio, satellite, or other signals of any kind, except that Declarant and the Association shall have the right, without obligation, to erect or install and maintain any such apparatus for the benefit of all or a portion of the Properties; and (i) satellite dishes designed to receive direct broadcast satellite service which are one meter or less in diameter; (ii) satellite dishes designed to receive video programming services via multi-point distribution services which are one meter or less in diameter or diagonal measurement; or (iii) antennas designed to receive television broadcast signals ((i), (ii), and (iii), collectively, "Permitted Devices") shall be permitted, provided that any such Permitted Device is placed in the least conspicuous location on the Lot (generally being the rear) at which an acceptable quality signal can be received and is not visible from the street, Common Area, or neighboring property or is screened from the view of adjacent Lots and the street in a manner consistent with the Community-Wide Standard, unless such screening unreasonably interferes with the use of such Permitted Device.
- (z) No mail box or paper or other receptacle of any kind for use in the delivery of mail or newspapers or magazines or similar material shall be erected or located on any

building site except the standard receptacle design erected by the Developer or unless approved in writing by either the Declarant or the Association.

- (aa) Display of holiday decorations beyond a reasonable period following each holiday; such period to be established by the Board.
- (bb) The use of sheets, newspaper and other non-conforming means to cover windows. All window coverings must be specifically for installation as window covering.

3. Prohibited Conditions. The following shall be prohibited within the Properties:

- (a) Plants, animals, devised, or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Properties;
- (b) Structures, equipment, or other items on the exterior portions of a Lot which have become rusty, dilapidated, or otherwise fallen into disrepair;
- (c) Sprinkler or irrigation systems or wells of any type which draw upon water from creeks, streams, wetlands, or other ground or surface waters within the Properties, except that Declarant and the Association shall have the right to draw water from such sources.

4. Leasing of Lots.

- (a) General. Owners desiring to lease their Lots may do so only if they have applied for and received from the Board of Directors either a "Leasing Permit" or a "Hardship Leasing Permit." Such a permit, upon its issuance, will allow an Owner to lease his or her Lot provided that such Leasing is in strict accordance with the terms of the permit and this Paragraph. The Board of Directors shall have the authority to establish conditions as to the duration and use of such permits consistent with this Paragraph. All Leasing Permits and Hardship Leasing Permits shall be valid only as to a specific Owner and Lot and shall not be transferable between either Lots or Owners.
- (b) Leasing Permits. An Owner's request for a Leasing Permit shall be approved if current, outstanding Leasing Permits have not been issued for more than ten percent (10%) of the total number of Lots (excluding Lots owned by the Declarant) in Sullivan Hills. A Leasing Permit shall be automatically revoked upon the happening of any of the following events: (i) the failure of an Owner to lease his or her Lot within one hundred eighty (180) days of the Leasing Permit having been issued; (ii) the failure of an Owner to have his or her Lot leased for any consecutive one hundred eighty (180) day period thereafter; or (iii) the occurrence of the date referenced in a written notification by the Owner to the Association that the Owner will, as of said date, no longer need the Leasing Permit. If current Leasing Permits have been issued for more than ten percent (10%) of the total number of Lots (excluding Lots owned by the Declarant), no additional Leasing Permits shall be

issued (except for Hardship Leasing Permits) until the number of outstanding current Leasing Permits falls below ten percent (10%) of the total number of Lots (excluding Lots owned by the Declarant) in Sullivan Hills. Owners who have been denied a Leasing Permit shall automatically be placed on a waiting list for a Leasing Permit and shall be issued the same if they so desire when the number of current outstanding Leasing Permits issued falls to ten percent (10%) or less of the total number of Lots (excluding Lots owned by the Declarant) in Sullivan Hills. The issuance of a Hardship Leasing Permit to an Owner shall not cause the Owner to be removed from the waiting list for a Leasing Permit.

- (c) Hardship Leasing Permits. If the failure to lease will result in a hardship, the Owner may seek to lease on a hardship basis by applying to the Board of Directors for a Hardship Leasing Permit. The Board of Directors shall have the authority to issue or deny requests for Hardship Leasing Permits in its discretion after considering the following factors: (i) the nature, degree, and likely duration of the hardship, (ii) the harm, if any, which will result to Sullivan Hills if the permit is approved, (iii) the number of Hardship Leasing Permits which have been issued to other Owners, (iv) the Owners ability to cure the hardship, and (v) whether previous Hardship Leasing Permits have been issued to the Owner. A "hardship" as described herein shall include, but not be limited to the following situations: (A) an Owner must relocate his or her residence outside the greater Anderson metropolitan area and cannot, within six (6) months from the date that the Lot was placed on the market, sell the Lot except at a price below the current appraised market value, after having made reasonable efforts to do so; (B) where the Owner dies and the Lot is being administered by his or her estate; and (C) the Owner takes a leave of absence or temporarily relocates and intends to return to reside in the Lot. Hardship Leasing Permits shall be valid for a term not to exceed one (1) year. Owners may apply for additional Hardship Leasing Permits. Hardship Leasing Permits shall be automatically revoked if during the term of the permit, the Owner is approved for and receives a Leasing Permit.
- (d) Leasing Provisions. Leasing which is authorized, pursuant to permit, hereunder shall be governed by the following provisions:
- (i) Notice. At least seven (7) days prior to entering into the lease of a Lot, the Owner shall provide the Board with a copy of the proposed lease agreement. The Board shall approve or disapprove the form of said lease. In the event a lease is disapproved, the Board shall notify the Owner of the requisite action to be taken in order to bring the lease in compliance with the Declaration and any rules and regulations adopted pursuant thereto.
- (ii) General. Lots may be leased only in their entirety; no fraction or portion may be leased without prior written Board approval. All leases shall be in writing and in a form approved by the Board prior to the effective date of the lease. The Board may maintain and, upon request, provide a form that is deemed acceptable. There shall be no subleasing of Lots or assignment of leases without prior written Board approval. All leases must be for an initial term of

not less than one (1) year, except with written Board approval, which shall not be unreasonably withheld in cases of undue hardship. No lessee shall occupy a Lot for more than two (2) consecutive years. Within ten (10) days after executing a lease agreement for the lease of a Lot, the Owner shall provide the Board with a copy of the lease and the name of the lessee and all other people occupying the Lot. The Owner must provide the lessee copies of the Declaration, Bylaws, and the rules and regulations. Nothing herein shall be construed as giving the Association the right to approve or disapprove a proposed lessee; the Board's approval or disapproval shall be limited to the form of the proposed lease.

(iii) Liability for Assessments Use of Common Elements and Compliance with Declaration, Bylaws, and Rules and Regulations. Each Owner covenants and agrees that any lease of a Lot shall contain the following language and agrees that if such language is not expressly contained therein, then such language shall be incorporated into the lease by existence of this covenant, and the lessee, by occupancy of the Lot, agrees to the applicability of this covenant and incorporation of the following language into the lease:

(A) Compliance with Declaration Bylaws, and Rules and Regulations. The lessee shall comply with all provisions of the Declaration, Bylaws, and rules and regulations adopted pursuant thereto and shall control the conduct of all other Occupants and guests of the leased Lot in order to ensure such compliance. The Owner shall cause all Occupants of his or her Lot to comply with the Declaration, Bylaws, and the rules and regulations adopted pursuant thereto, and shall be responsible for all violations by such Occupants, notwithstanding the fact that such Occupants of the Lot are fully liable and may be sanctioned for any such violation. If the lessee, or a person living with the lessee, violates the Declaration, Bylaws, or a rule or regulation for which a fine is imposed, notice of the violation shall be given to the Owner and the lessee, and such fine may be assessed against the lessee. If the fine is not paid by the lessee within the time period set by the Board, the Owner shall pay the fine upon notice from the Association of the lessee's failure to pay the fine. Unpaid fines shall constitute a lien against the Lot.

Any violation of the Declaration, Bylaws, or rules and regulations adopted pursuant thereto by the lessee, any Occupant, or any guest of lessee, is deemed to be at default under the terms of the lease and authorizes the Owner to terminate the lease without liability and to evict the lessee in accordance with South Carolina law. The Owner hereby delegates and assigns to the Association, acting through the Board, the power and authority of enforcement against the lessee for breaches resulting from the violation of the Declaration, Bylaws, and the rules and regulations adopted pursuant thereto, including the power and authority to evict the lessee as attorney-in-fact on behalf

and for the benefit of the Owner, in accordance with the terms hereof. If the Association proceeds to evict the lessee, any costs, including reasonable attorneys' fees actually incurred and court costs associated with the eviction shall be an assessment and lien against the Lot.

- (B) Use of Common Elements. The Owner transfers and assigns to the lessee, for the term of the lease, any and all rights and privileges that the Owner has to use the Common Elements, including but not limited to, the use of any and all recreational facilities and other amenities.
- (C) Liability for Assessments. When an Owner who is leasing his or her Lot fails to pay any annual or special assessment or any other charge for a period of more than thirty (30) days after it is due and payable, then the delinquent Owner hereby consents to the assignment of any rent received from the lessee during the period of delinquency, and, upon request by the Board, lessee shall pay to the Association all unpaid annual and special assessments and other charges payable during and prior to the term of the lease and any other period of occupancy by lessee. However, lessee need not make such payments to the Association in excess of, or prior to the due dates for, monthly rental payments unpaid at the time of the Board's request. All such payments made by lessee shall reduce, by the same amount, lessee's obligation to make monthly rental payments to lessor. If lessee fails to comply with the Board's request to pay assessments or other charges, lessee shall pay to the Association all amounts authorized under the Declaration as if lessee were an Owner. The above provision shall not be construed to release the Owner from any obligation, including the obligation for assessments, for which he or she would otherwise be responsible.
- e. Applicability of this Paragraph. Notwithstanding the above, this Paragraph shall not apply to any leasing transaction entered into by the Declarant (regardless of whether said lease is entered into prior to or after the expiration of the Declarant's right to appoint and remove officers and directors of the Association), the Association, or the holder of any first Mortgage on a Lot who becomes the Owner of a Lot through foreclosure or any other means pursuant to the satisfaction of the indebtedness secured by such Mortgage. Such parties shall be permitted to lease a Lot without first obtaining a permit in accordance with this Paragraph, and such Lots shall not be considered as being leased in determining the maximum number of Lots that may be leased in accordance with this Paragraph.

EXHIBIT "D"
BY-LAWS
OF
SULLIVAN HILLS HOMEOWNERS' ASSOCIATION, INC.

BY-LAWS
SULLIVAN HILLS HOMEOWNERS' ASSOCIATION, INC.

Article I

Name, Principal Office, and Definitions

- 1.1 **Name.** The name of the corporation is Sullivan Hills Homeowners' Association, Inc. (the "Association").
- 1.2 **Principal Office.** The principal office of the Association shall be located in Anderson County, South Carolina. The Association may have such other offices, either within or outside the State of South Carolina, as the Board of Directors may determine or as the affairs of the Association may require.
- 1.3 **Definitions.** The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Covenants, Conditions, and Restrictions.

Article II

Associations: Membership, Meetings, Quorum, Voting, Proxies

- 2.1 **Membership.** The Association shall have two classes of membership, Class "A" and Class "B," as more fully set forth in the Declaration, the terms of which pertaining to membership are incorporated by this reference.
- 2.2 **Place of Meetings.** Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board, either within the Properties or as convenient as is possible and practical.
- 2.3 **Annual Meetings.** The first meeting of the Association, whether a regular or special meeting, shall be held 60 days after the date of which 100% of the lots planned for development have been conveyed by the Declarant or when, in its discretion, the Class "B" member so determines. Subsequent regular annual meetings shall be set by the Board so as to occur during the third quarter of the Association's fiscal year on a date and at a time set by the Board.
- 2.4 **Special Meetings.** The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Members representing at least 25% of the total Class "A" votes in the Association.

- 2.5 Notice of Meetings. Written or printed notice stating the place, day, and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than 10 nor more than 50 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at its address as it appears on the records of the Association, with postage prepaid.

- 2.6 Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member or the Member's proxy shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member or proxy specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

- 2.7 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, Members or their proxies holding a majority of the votes represented at such meeting may adjourn the meeting to a time not less than 5 or more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting after adjournment is not fixed prior to adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

The Members represented at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

- 2.8 Voting. The voting rights of the Members shall be as set forth in the Declaration and in these By-Laws, and such voting rights provisions are specifically incorporated by this reference.
- 2.9 Proxies. At all meetings of Members, each Member may vote in person (if a corporation, partnership, or trust, through any officer, director, partner, or trustee duly authorized to act on behalf of the Member) or by proxy subject to the limitations of South Carolina law. All proxies shall be in writing specifying the Lot(s) for which it is given, signed by the Member

or its duly authorized attorney-in-fact, dated, and filed with Secretary of the Association prior to any meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. Every proxy shall be revocable and shall automatically cease upon conveyance of any Lot for which it was given, or upon receipt of notice by the Secretary of the death or judicially declared incompetence of a Member who is a natural person, or of written revocation, or 11 months from the date of the proxy, unless a shorter period is specified in the proxy.

- 2.10 Majority. As used in these By-Laws, the term “majority” shall mean those votes, Owners, Members, or other group, as the context may indicate, totaling more than 50% of the total eligible number.
- 2.11 Quorum. Except as otherwise provided in these By-Laws or in the Declaration, the presence, in person or by proxy, of Members representing 25% of the total Class “A” votes in the Association shall constitute a quorum at all meetings of the Association.
- 2.12 Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.
- 2.13 Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice and without a vote, if written consent specifically authorizing the proposed action is signed by a Majority of Members entitled to vote thereon. Such consent shall be filed with the minutes of the Association, and shall have the same force and effect as a vote of the Members at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give written notice to all Members entitled to vote who did not give their written consent, fairly summarizing the material features of the authorized action.

Article III

Board of Directors: Number, Powers, Meetings

- A. Composition and Selection.
- 3.1 Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one equal vote. Except with respect to directors appointed by the Class “B” Member, the directors shall be Members or Residents; provided no Owner and Resident representing the same Lot may serve on the Board at the same time. A “Resident” shall be any natural person 18 years of age or older whose principle place of residence is a Lot within the Properties. In the case of a Member which is not a natural person, any officer, director, partner, employee, or trust officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association

signed by such Member; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

3.2 Number of Directors. The Board shall consist of three to five directors, as provided in Section 3.3. and 3.5 below. The initial Board shall consist of one to five directors as identified in the Article of Incorporation and will remain as such until such time as the Class "B" membership expires.

3.3 Directors During Class "B" Membership. Subject to the provisions of Section 3.5 below, the directors shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member until the first to occur of the following:

- (a) 60 days after the date as of which 100% of the Lots planned for development have (i) been conveyed by Declarant; and (ii) have been improved with dwellings for which a certificate of occupancy has been issued; or
- (b) December 31, 2027; or
- (c) when, in its discretion, the Class "B" Member so determines.

3.4. Nomination and Election Procedures.

- (a) Nominations and Declaration of Candidacy. Prior to each election of directors by the Class "A" Members, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which each and every eligible person who has a bonafide interest in serving as a director may file as a candidate for any position to be filled by votes of Class "A" Members. The Board shall also establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair, efficient, and cost-effective manner.

Except with respect to directors appointed by the Class "B" Member, nominations for election to the Board may also be made by a Nominating Committee. The Nominating Committee, if any, shall consist of a Chairperson, who shall be a member of the Board, and three or more Members or representatives of Members. The Board shall appoint the members of the Nominating Committee not less than 30 days prior to each annual meeting to serve a term of one year and until their successors are appointed, and such appointment shall be announced at each annual meeting.

The Nominating Committee may make as many nominations for election to the Board as it shall in its discretion determine. In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates representing the diversity which exists within the pool of potential candidates. Each candidate shall be given a reasonable, uniform opportunity to communicate his or her qualifications to the Members and to solicit votes.

(b) Election Procedures. Each Owner may cast the entire vote assigned to his or her Lot for each position to be filled, there shall be no cumulative voting. The number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

3.5 Election and Term of Office. Not later than the first annual meeting after the termination of the Class "B" Membership, the Board shall be increased to five directors and an election shall be held. All five directors shall be elected by the Class "A" Members. Three of the directors shall be elected for a term of two years, and the remaining two directors shall be elected for a term of one year. Thereafter, all directors shall be elected for a two-year term. Directors elected by the Class "A" Members shall hold office until their respective successors have been elected.

3.6 Removal of Directors and Vacancies. Any director elected by the Class "A" Members may be removed, with or without cause, by Members holding a majority of the votes entitled to be cast for his or her election. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Class "A" Members to fill the vacancy for the remainder of the term of such director.

Any director elected by the Class "A" Member who has three or more consecutive unexcused absences for Board meetings, or who is more than 30 days delinquent (or is the representative of a Member who is so delinquent) in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director elected by the Class "A" Members, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Class "A" Members shall elect a successor for the remainder of the term.

This Section shall not apply to directors appointed by the Class "B" Member or to any director serving as a representative of the Declarant. The Class "B" Member shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by or elected as a representative of the Class "B" Member.

B. Meetings.

3.7 Organizational Meetings. The first meeting of the Board following each annual meeting of the membership shall be held within ten days thereafter at such time and place as the Board shall fix.

- 3.8 Regular Meetings. Regular meetings of the Board may be held at such time and place as a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter.
- 3.9 Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President or Vice President or by any two directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered.
- 3.10 Notice; Waiver of Notice.
- (a) Notice of the time and place of a regular meeting shall be communicated to directors not less than four calendar days prior to the meeting. Notice of the time and place of a special meeting shall be communicated to directors not less than 72 hours prior to the meeting. No notice needs be given to any director who has signed a waiver of notice or a written consent to holding of the meeting. The notice shall be given to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) telecopy transmission or electronic message to the director's home or office, with confirmation of receipt. All such notices shall be given at the director's telephone number, telecopy number, electronic mail address, or sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deemed communicated when deposited into a United States mailbox. Notices given by personal delivery, telephone, telecopy, electronic mail, or other device shall be deemed communicated when delivered, telephones, faxes, or e-mailed.
- (b) The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at commencement about the lack of adequate notice.
- 3.11 Telephonic Participation in Meetings. Members of the Board or any committee designed by the Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.
- 3.12 Quorum of Board of Directors. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of

the Board, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

- 3.13 Compensation. Directors shall not receive any compensation from the Association for acting as such unless approved by a majority of the total Class "A" votes in the Association at a regular or special meeting of the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board of Directors, excluding the interested director.
- 3.14 Conduct of Meetings. The President shall preside over all meetings of the board, and the Secretary shall keep a minute book of Board meetings recording all Board resolutions and all transactions and proceedings occurring at such meetings.
- 3.15 Open Meetings. Subject to the provisions of Section 3.16, all meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may adjourn any meeting of the Board and reconvene in executive session, and may exclude Members, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.
- 3.16 Action without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

- 3.17 Powers. The Board of Directors shall have all of the powers and duties necessary for the administrative of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Governing Documents and as provided by law. The Board may do or cause to be done all acts and things as are not directed by the Governing Documents or South Carolina law to be done and exercised exclusively by the membership generally.

- 3.18 Duties. The duties of the Board shall include, without limitation;
- (a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses;
 - (b) Levying and collecting such assessments from the Owners;
 - (c) Providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility;
 - (d) Designating, hiring, and dismissing the personnel necessary to carry out the rights and responsibilities of the Association and where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
 - (e) Depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;
 - (f) Making and amending use restrictions and rules in accordance with the Declaration;
 - (g) Opening of a bank account on behalf of the Association and designating the signatories required;
 - (h) Borrowing money from the Declarant as necessary to fund any Association budgetary shortfalls during the Class "B" Control Period;
 - (i) Making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;
 - (j) Enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Association shall not be obligated to take action to enforce any covenant, restriction, or rule which the Board reasonably determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the board reasonably determines that the Association's position is not strong enough to justify taking enforcement action;
 - (k) Obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
 - (l) Paying the cost of all services rendered to the Association;

- (m) Keeping books with detailed accounts of the receipts and expenditures of the Association;
- (n) Making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any mortgage on any Lot, current copies of the Governing Documents and all other books, records, and financial statements of the Association, as provided in Section 6.4;
- (o) Permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties; and
- (p) Indemnifying a director, officer, or committee member, or former director, officer, or committee member of the Association to the extent such indemnity is required under South Carolina law, the Articles of Incorporation, or the Declaration.

3.19 Right of Class "B" Member to Disapprove Actions. If the Class "B" Member voluntarily terminates its right to appoint the members of the Board or any committee prior to the termination date specified in Section 3.3, the Class "B" Member shall have a right until its right must expire under Section 3.3 to disapprove any action, policy, or program of the Association, the Board, and any committee which, in the sole judgment of the Class "B" Member, would tend to impair rights of the Declarant or Builders under the Declaration or these By-Laws; interfere with development of or construction on any portion of the Properties; or diminish the level of services being provided by the Association.

The Class "B" Member shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board, or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, which notice complies as to the Board meetings with Section 3.8, 3.9, 3.10, and 3.11 and which notice shall, except in the case of the regular meeting held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at said meeting.

The Class "B" Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

No action, policy, or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

The Class "B" Member, its representatives or agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within ten days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within ten days following receipt of written notice of the proposed

action, This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, the Board, or the Association. So long as sufficient funds are available, the Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

- 3.20 Management. The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board of Directors may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policymaking authority, or those duties set forth in Section 3.18(a), 3.18(b), 3.18(f), 3.18(g) and 3.18(i). The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

The Board may delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

- 3.21 Account and Reports. The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

- (a) Cash basis accounting, as defined by generally accepted accounting principles shall be employed;
- (b) Accounting and controls should conform to generally accepted accounting principles;
- (c) Cash accounts of the Association shall not be commingled with any other accounts;
- (d) No remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of communications, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;
- (e) Any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board;
- (f) An annual report consisting of at least the following shall be made available to all Members within 120 days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. Such annual report may be prepared on an audited, reviewed, or compiled basis, as the Board determines

by an independent public accountant; provided, upon written request of any holder, guarantor, or insurer of any first Mortgage on a Lot, the Association shall provide an audited financial statement.

- 3.22 Borrowing. The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain Member approval in the same manner provided for Special Assessments in Section 8.5 of the Declaration if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 10% of the budgeted gross expenses of the Association for that fiscal year.
- 3.23 Right to Contract. The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or neighborhood and other owners or residents associations, within and outside the Properties; provided, any common management agreement shall require the consent of a majority of the total number of directors of the Association.
- 3.24 Enforcement. In addition to such other rights as are specifically granted under the Declaration, the Board shall have the power to impose reasonable monetary fines, which shall constitute a lien upon the Lot of the violator, and to suspend an Owner's right to vote for violation of any duty imposed under the Governing Documents. In addition, the Board may suspend any services provided by the Association to an Owner or the Owner's Lot if the Owner is more than 30 days delinquent in paying any assessment or other charges owed to the Association. In the event that any occupant, tenant, employee, guest, or invitee of a Lot violates the governing Documents and a fine is imposed, the fine shall first be assessed against the occupant; provided, if the fine is not paid by the occupant within the time period set by the Board, the fine shall be assessed against the Lot and the Owner thereof upon notice from the Association. The failure of the Board to enforce any provision of the Governing Documents shall not be deemed a waiver of the right of the Board to do so thereafter.
- (a) Notice. Prior to imposition of any section hereunder or under the Declaration, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than ten days within which the alleged violator may present a written request for a hearing to the Board; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within ten days of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed; provided, the Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the ten-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.
- (b) Hearing. If a hearing is requested within the allotted ten-day period, the hearing shall be held before the Board in executive session. The alleged violator shall be afforded

a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

- (c) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, the board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules) or, following compliance with the dispute resolution procedures set forth in Article XIV of the Declaration, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred. Any entry onto a Lot for purpose of exercising this power of self-help shall not be deemed as trespass.

Article IV

Officers

- 4.1 Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the members of the Board; other officers may, but need not be members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.
- 4.2 Election and Term of Office. The board shall elect the officers of the Association at the first meeting of the Board following each annual meeting of the Members, to serve until their successors are elected.
- 4.3 Removal and Vacancies. The Board may remove any officer whenever, in its judgment, the best interests of the Association will be served and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.
- 4.4 Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to the respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility

for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

- 4.5 Resignation. Any officer may resign at any time by giving notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.
- 4.6 Agreements, Contracts, Deeds, Lease, Checks, Etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.
- 4.7 Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.13.

Article V

Committees

- 5.1 Fiscal Year. The fiscal year of the Association shall be the calendar year unless the board establishes a different fiscal year by resolution.
- 5.2 Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with South Carolina law or the Governing Documents.
- 5.3 Conflicts. If there are conflicts between the provisions of South Carolina law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of South Carolina law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.
- 5.4 Books and Records.
- (a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer, or guarantor of a first Mortgage on a Lot, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Declaration, By-Laws, and Articles of Incorporation, any amendments to the foregoing, the Restrictions and Rules, the membership register, books of account, and the minutes of meeting of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the office of the Association or at such other place within the Properties as the Board shall designate.
- (b) Rules for Inspection. The Board shall establish reasonable rules with respect to:
- (i) notice to be given to the custodian of the records;

- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing copies of documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

5.5 Notices. Except as otherwise provided in the Declaration or these By-Laws, all notices, demands, bills, statements, and other communications under the Declaration or these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or when sent by United States mail, first class postage prepaid:

- (a) if to a Member, at the address which the Member has designated, at the address of the Lot of such Member; or
- (b) if to the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

5.6 Amendment.

- (a) By Class "B" Member. Until conveyance of the first Lot to a Person other than a Builder, the Class "B" Member may amend these By-Laws, subject to the approval requirements set forth in Article XII of the Declaration, if applicable. Thereafter, the Class "B" Member may amend these By-Laws if such amendment is specifically required to enable the U.S. Department of Veterans Affairs ("VA"), the U.S. Department of Housing and Urban Development ("HUD"), the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation to make, purchase, insure, or guarantee mortgage loans on the Lots; provided, however, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent thereto in writing. So long as the Class "B" membership exists, any amendments to these By-Laws shall be subject to disapproval by HUD and/or VA if either such agency is insuring or guaranteeing residential loans within the Properties.
- (b) By Board or Members. The Board may amend these By-Laws by two-thirds (2/3) vote of the directors to conform this Declaration to the requirements of any governmental agency, federal, state or local, and for the requirements of any mortgage lender or for any reason that the Declarant deems advisable for the orderly development of the Properties. Any such amendment shall require the consent of the Declarant so long as it owns property subject to the Declaration or which may be subjected to the Declaration pursuant to Section 7.1 thereof. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing at least 51% of the total Class "A" votes in the Association, and the consent of the Class "B" Member,

if such exists. In addition, the approval requirements set forth in Article XII of the Declaration shall be met, if applicable.

- (c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon Recording, unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant, the Class "B" Member, or the assignee of such right or privilege.

If a Member consents to any amendment to the Declaration or these By-Laws, it will be conclusively presumed that such Member has the authority so to consent provision in any Mortgage or contract between the Member and third party will affect the validity of such amendment.

CERTIFICATION

I, the undersigned, do hereby certify;

That I am the duly elected and acting Secretary of Sullivan Hills Homeowners' Association, Inc., a South Carolina nonprofit corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors Thereof held on the 13th day of November, 2007.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 13th day of November, 2007.

Jing Dai (SEAL)
Secretary

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FILED, RECORDED, INDEXED
Bk: 08360 Ps: 00043 Pages: 072
Rec Fee: 78.00 St Fee:
Co Fee:
REGISTER OF DEEDS, ANDERSON CO, SC
Shirley McElhannon