



BY-LAWS

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FILED IN LEXINGTON COUNTY, SC

*Tina Quarry*

STATE OF SOUTH CAROLINA

LEXINGTON VILLAS HOMEOWNER'S  
ASSOCIATION, INC

COUNTY OF LEXINGTON

AMENDMENT TO BYLAWS  
OF LEXINGTON VILLAS

Cross Reference: MASTER DEED ESTABLISHING LEXINGTON VILLAS , recorded  
on October 11, 2006, in Book 11455 on page 301

WHEREAS. the Master Deed Establishing Lexington Villas was recorded on October 11, 2006  
in the Office of the Register of Deeds for Lexington County in Book 1145 at Page 301.(as  
amended and supplemented the "Master Deed");

WHEREAS, the Master Deed provides for the BYLAWS OF LEXINGTON VILLAS; and

WHEREAS, Article 2, Section 2.3 of the BYLAWS provide for the date when the annual meeting  
of Lexington Villas Homeowner's Association, Inc. shall be held;

NOW THEREFORE, Lexington Villas Homeowner's Association, Inc. declares that Article 2,  
Section 2.3 of the BYLAWS of Lexington Villas is changed as follows:

"After the termination of the Declaration Control Period, and the new Board of Directors is  
elected by all the Unit Owners, the annual meeting of the Association shall be held during the  
second month of each new fiscal year of the Association, at a day, time and place as the Board  
of Directors may determine. At such annual meetings the Board of Directors shall be elected  
by written ballot of the Unit Owners in accordance with the requirements of Section 3.4 of the  
BYLAWS."

It is stipulated by the Board of Directors of Lexington Villas that written notice was given to  
each Unit Owner of the above change and the Board of Directors have received signed  
instruments from at least two-thirds (2/3)of the Unit Owners agreeing to the above change.

IN WITNESS THEREOF, Lexington Villas Homeowner's Association, Inc. has by its duly  
authorized officer set its hand and seal this 25<sup>th</sup> day of November 2019.

SIGNED SEALED AND DELIVERED  
in the presence of:

LEXINGTON VILLAS HOMEOWNER'S  
ASSOCIATION, INC.

Stephanie O'Leary  
(witness #1)

Janette Miller  
(witness #2)

By: [Signature]

Print name: Donald B. Weaver, Jr

It's: President

STATE OF SOUTH CAROLINA )  
COUNTY OF Lexington )

ACKNOWLEDGEMENT

I, Stephanie O'Leary, Notary Public for the State of South Carolina, do hereby  
certify that Lexington Villas Homeowner's Association, Inc., by Donald Weaver  
its President, personally appeared before me this day and acknowledged  
the due execution of the foregoing instrument.

Witness my hand and official seal this 21<sup>st</sup> day of November 2019.

Stephanie O'Leary  
Notary Public for South Carolina  
My Commission Expires: 2-18-20

1. v

**EXHIBIT "F"**

**BYLAWS  
OF  
LEXINGTON VILLAS**

ARTICLE I

GENERAL

Section 1.1. Applicability. These are the Bylaws of LEXINGTON VILLAS (the "Association"), which has been organized for the purpose of operating and managing LEXINGTON VILLAS HORIZONTAL PROPERTY REGIME, a condominium regime created in accordance with the laws of the State of South Carolina (the "Condominium" or "Regime") upon property located in the County of Lexington, South Carolina, which is described in Exhibit A attached to the Declaration of Lexington Villas (the "Declaration").

Section 1.2. Defined Terms. Unless otherwise defined herein, certain initially capitalized words and terms used herein shall have the same meanings defined in the Declaration.

Section 1.3. Compliance. All Unit Owners, tenants, employees of Unit Owners or any other person that might use the Condominium or any Unit in any manner shall comply with these Bylaws and are subjects to the terms and provisions of the Condominium Instruments.

Section 1.4. Provisions of Declaration and Articles of Incorporation to Control. The provisions of these Bylaws are applicable to the Condominium, and the terms and provisions hereof are expressly subject to the terms and provisions contained in the Articles of Incorporation and the Declaration.

Section 1.5. Office. The office of the Association and the Board of Directors shall be located at the Condominium or at such other place as may be designated from time to time by the Board of Directors.

ARTICLE 2

UNIT OWNERS' ASSOCIATION

Section 2.1. Composition and Powers. All of the Unit Owners, acting as a group in accordance with the Condominium Act, the Declaration, the Articles of Incorporation and these Bylaws, shall constitute the Association. The Association shall act merely as an agent for the Unit Owners as a group. The Association shall act merely as an agent for the Unit Owners as a group. The Association shall have the responsibility of administering the Condominium, establishing the means and methods of collecting the contributions to the Common Expenses, arranging for the management of the

Condominium and performing all of the other acts that may be required to be performed by the Association by the Condominium Act and the Condominium Instruments. Except for the performance of those matters which either the Condominium Act or the Declaration specifically require to be authorized by the vote of the Unit Owners, the administration of the foregoing responsibilities shall be performed by the Board of Directors as more particularly set forth in Article 3 hereof. The Association shall have, in addition to those powers listed in the Articles of Incorporation, all of the powers reasonably necessary to implement and effect the rules and objectives set forth in the Condominium Instruments.

Section 2.2. Declarant Control Period. The "Declarant Control Period" shall commence with the settlement of the first Unit to be sold by the Declarant and shall continue until the Declarant settles the sale of Units representing seventy-five percent (75%) or more of the aggregate Percentage Interests in the Condominium (including the Percentage Interests applicable to Units to be constructed on the Additional Land in connection with any future expansion of the Condominium), as the same may be amended from time to time in connection with the expansion of the Condominium. During the Declarant Control Period the Declarant shall be entitled to designate the officers and the Board of Directors of the Association. Within sixty (60) days after the expiration of the Declarant Control Period, a special meeting of the Unit Owners' Association shall be held. At such meeting, the persons designated by the Declarant shall resign as members of the Board of Directors, and all of the Unit Owners, including the Declarant if the Declarant owns any Units, shall elect a new Board of Directors.

Section 2.3. Annual Meetings. During the Declarant Control Period, meetings of the Association shall be held at least once a year. The first such meeting shall be held within one (1) year after the date of recordation of the first deed to a Unit Owner. After the termination of the Declaration Control Period, and the new Board of Directors is elected by all the Unit Owners, the annual meetings of the Association shall be held during the second month preceding the beginning of each fiscal year of the Association, at a day, time and place as the Board of Directors may determine. At such annual meetings the Board of Directors shall be elected by a written ballot of the Unit Owners in accordance with the requirements of Section 3.4 of these Bylaws.

Section 2.4. Place of Meetings. Meetings of the Association shall be held at the principal office of the Condominium or at such other suitable place convenient to the Unit owners as may be designated by the Board of Directors.

Section 2.5. Special Meetings. It shall be the duty of the President of the Association to call a special meeting of the Association if so directed by resolution of the Board of Directors or upon a petition signed and presented to the Secretary by Unit Owners owning not less than twenty-five percent (25%) of the Percentage Interests. The notice of any special meeting shall state the time, place and purpose of such meeting. No business shall be transacted at a special meeting except as stated in the notice.

Section 2.6. Notice of Meetings. The Secretary or his agent shall, at least twenty-one (21) days in advance of any annual or regularly scheduled meeting, and at least seven (7) days in advance of any other meeting of the Association, deliver notice of the time, place, and purpose of such meeting either personally or by United States mail, to all Unit owners at the address of their respective Units and to such other addresses as any of them may have designated. The Secretary or his agent may send notice by electronic transmission consented to by the Unit Owner to whom the notice is given, provided the Secretary or his agent certifies in writing that notice was sent. Notice of the time, date and place of each meeting of a subcommittee or other committee of the Association shall be published where it is reasonably calculated to be available to a majority of the Unit Owners.

Section 2.7. Order of Business. The order of business at all meetings of the Association shall be as follows:

- (a) Roll Call;
- (b) Proof of notice of meeting;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers and Board of Directors;
- (e) Reports of committees;
- (f) Election or appointment of inspectors of election (when so required);
- (g) Election of members of the Board of Directors (when so required);
- (h) Unfinished business; and lastly
- (i) New business.

Section 2.8. Voting. At every meeting of the Association, each Unit shall be allocated one (1) vote, notwithstanding the Percentage Interest appertaining to that Unit. The votes appertaining to any Unit may be cast pursuant to a proxy or proxies and approved by the Board of Directors. No proxy shall be revocable except by actual notice to the person presiding over the meeting of the Association, by the Unit Owner (or, if the Unit is owned by more than one person, by any such persons), that it be revoked. Any proxy shall be voided if it is not dated, or if it purports to be revocable without notice as aforesaid. The proxy of any person shall be void if not signed by a person having authority, at the time of the execution thereof, to execute deeds on behalf of that person. Any proxy shall terminate automatically after the first meeting held on or after the date of that proxy or any recess or adjournment of that meeting held within thirty (30) days thereafter. The proxy shall include a brief explanation of the effect of leaving the proxy uninstructed. A vote or proxy may be

submitted by electronic transmission, provided that any such electronic transmission shall either set forth or be submitted with information from which it can be determined that the electronic submission was authorized by the Unit Owner or the Unit Owner's proxy. Unless greater than a majority vote is otherwise specifically required by the Condominium Act or by the Condominium Instruments, the vote of a majority of the aggregate votes cast in person or by proxy at a duly convened meeting at which a quorum is present is required to adopt decisions made at any meeting of the Association. No Unit Owner may vote at any meeting of the Association, or be elected as a director or officer of the Association, if the Association has perfected a lien against his Unit which is not discharged at the time of the meeting, or there are any assessments against the Unit Owner that are sixty (60) days past due.

Section 2.9. Quorum. A quorum shall be deemed to be present throughout any meeting of the association until adjourned if persons entitled to cast more than twenty-five percent (25%) of the votes, whether in person or by proxy, are present at the beginning of the meeting. If a quorum is not present at the beginning of the meeting, the meeting shall be adjourned to a time not less than forty-eight (48) hours from the time of adjournment. A quorum shall be deemed to be present throughout such succeeding meeting if persons entitled to cast more than twenty-five percent (25%) of the votes, whether in person or by proxy, are present at the beginning of the meeting.

Section 2.10. Conduct of Meeting. The President shall preside over all meetings of the Association. The Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting and all other transactions occurring thereat. The president may appoint a person to act as Parliamentarian at the beginning of each meeting. The most current edition of Roberts Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Declaration, these Bylaws or the Condominium Act.

Section 2.11. Ownership of Units by the Unit Owners' Association. The Association may acquire, own and transfer title to a Unit, but the vote appertaining to a Unit owned by the Association may not be cast or counted for any purpose.

### ARTICLE 3 BOARD OF DIRECTORS

Section 3.1. Number and Qualification. The affairs of the Condominium shall be governed by a Board of Directors. During the Declarant Control Period, the Declarant shall have the right to designate the members of the Board of Directors. The initial Board of Directors shall be composed of three (3) persons, *who may* but need not be Unit Owners or officers or, employees of Unit Owners, or Mortgagees (or designees of Mortgagees) of Units. After the Declarant Control Period, the Board of Directors shall consist of five (5) persons, all of whom shall be elected by the Unit owners. For two (2) years after the Declarant Control Period, the Declarant may appoint an individual *who* shall be entitled to notice of all meetings of the Board of Directors, and who may speak at the meetings but cannot vote.

Section 3.2. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Condominium and may do all such acts and things which are not, by the Condominium Act or by these Bylaws, directed to be exercised and done by the Association. The Board of Directors shall have the power from time to time to adopt any rules and regulations (the "Rules and Regulations") deemed appropriate by it for the governance of the Condominium; provided, however, the Rules and Regulations shall not be in conflict with the Condominium Act or the Declaration, or these Bylaws.

Section 3.3. Managing Agent. The Board of directors may employ a professional Managing Agent for the Condominium at a compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize. Any contract with a Managing Agent entered into during the Declarant Control Period must provide that such contract may be terminated by either party without cause and without payment of a termination fee or penalty by written notice which (i) states that such contract shall terminate on a date which is more than ninety (90) days after the date of such notice, and (ii) is given not more than sixty (60) days after the termination of the Declarant Control Period. Additionally, any contract with a Managing Agent entered into during the Declarant Control Period shall be for a term not in excess of two (2) years; shall not provide for renewal or extension terms in excess of two (2) years; and shall provide that at the end of any such term, the Board of Directors may terminate any further extension or renewal periods. Any provision of such contract that does not comply with this section shall be deemed to have been modified to conform hereto upon the full execution of the contract.

Section 3.4. Election and Term of Office. At the first meeting of the Association following the end of the Declarant Control Period, the term of office of two (2) members of the Board of Directors shall be fixed at three (3) years, the term of office of two (2) members of the Board of Directors shall be fixed at two (2) years, and the term of office of one (1) member of the Board of Directors shall be fixed at one (1) year. The first Board of Directors shall be elected simultaneously with one ballot or election. The two people receiving the highest number of votes shall be elected for the three (3) year terms. The two people receiving the third and fourth highest number of votes shall be elected for the two (2) years terms. The person receiving the fifth highest number of votes shall be elected for the one (1) year term. In the event of a tie in the balloting, persons shall be designated among the classes of directors by drawing lots. At the expiration of the initial term of office of each respective member of the Board of Directors, that member's successor shall be elected to serve for a term of three (3) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association.

Section 3.5. Nominations. Nominations for election as members of the Board of Directors at the annual meeting shall occur only as set forth in this section. In order to be nominated, a nomination petition signed by at least three (3) Unit Owners (other than the Unit Owner which is nominated, if a Unit Owner is nominated) shall be submitted to the Board of Directors at least twenty-one (21) days before the annual meeting. The petition shall include a statement that the Unit Owner is willing to be nominated, and a biographical sketch of the nominee. The Board of Directors shall cause the names of all those who are duly nominated,

Along with a copy of their biographical sketches, to be mailed or hand delivered to every Unit Owner in the Condominium not less than ten (10) days prior to the annual meeting. Nominations from the floor at the annual meeting shall be prohibited unless there are less than two (2) persons nominated to fill each of the designated vacancies on the Board of Directors.

Section 3.6. Removal of Members of Board of Directors. Except during the Declarant Control Period, at any duly called regular or special meeting of the Association, any one or more of the members of the Board of Directors may be removed with or without cause by a majority of the Unit Owners and a successor may then and there be elected to fill the vacancy thus created. However, any Director whose removal has been proposed by the Unit Owners shall be given at least ten (10) days' notice of the calling of the meeting and the purpose thereof and shall be given an opportunity to be heard at the meeting.

Section 3.7. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by a vote of a majority of the remaining Directors at a special meeting of the Board of Directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy. Each person so elected shall be a member of the Board of Directors for the remainder of the term of the member being replaced.

Section 3.8. Organizational Meeting. The date of the first meeting of the members of the Board of Directors elected at the annual meeting of the Association shall be determined by the Board of Directors immediately following the association meeting and no further notice shall be necessary to the newly elected members of the Board of Directors. Such meeting shall occur within thirty (30) days following the annual meeting of the Association.

Section 3.9. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors, but meetings shall be held at least once every three (3) months during each fiscal or calendar year of the Association. Notice of the time, date and place of the regular meetings of the Board of Directors, or of any subcommittee or other committee thereof, shall be given to each Director, by mail or hand delivery, at least three (3) business days prior to the day designated for such meeting. Notice shall be also be published where it is reasonably calculated to be available to a majority of the Unit Owners.

Section 3.10. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days' notice to each Director, given by mail or hand delivery. The notice shall state the time, date, place and purpose of the meeting and shall be given contemporaneously to Unit Owners to the extent reasonable under the circumstances. Special meetings of the Board of Directors may be called by the President or Secretary in like manner and by like notice upon the written request of at least two (2) Directors.



Section 3.11. Waiver of Notice. Any Director may, at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time and place of such meeting. If all Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 3.12. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors. The Secretary shall keep the minute book of the Board of Directors and shall record all resolutions adopted by the Board of Directors and all transactions and proceedings occurring at such meetings therein. The most current edition of Roberts Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration, these Bylaws or the Condominium Act. All meetings of the Board of Directors, including any subcommittee or other committee thereof, shall be open to all Unit Owners of record.

Section 3.13. Quorum. A quorum of the Board of Directors shall be deemed to be present throughout any meeting of the association until adjourned if more than fifty percent (50%) of the Directors entitled to vote are present at the beginning of the meeting. A meeting shall not begin and no action shall be taken unless a quorum is present.

Section 3.14. Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors

Section 3.15. Compensation. Director's compensation, if any, shall be determined by the members of the Association.

Section 3.16. Fidelity Bonds. The Board of Directors may require adequate fidelity bonds for all Officers and employees of the Condominium handling or responsible for Condominium funds. The premiums on such bonds shall constitute a Common Expense.

## ARTICLE 4

### OFFICERS

Section 4.1. Designation. The principal Officers of the Condominium shall be the President, Vice President, Secretary, and Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary. The President, but no other officer, shall be required to be a member of the Board of directors.

Section 4.2. Election of Officers. The officers of the Condominium shall be elected annually by the Board of Directors and shall hold office until a successor is elected.

Section 4.3. Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors.

Section 4.4. President. The President shall be the chief executive of the Condominium and a voting member of the Board of Directors. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are incident to the office of president of a nonprofit corporation, including but not limited to, the power to appoint committees from among the Unit Owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Condominium.

Section 4.5. Vice President. The Vice President shall take the place of the President and perform the President's duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint a member of the Board of Directors to act in the place of the President on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of directors or by the President.

Section 4.6. Secretary. The Secretary shall keep the minutes of all meetings of the Association and of Board of Directors, and he shall have charge of such books and papers as the Board of Directors may direct, and shall, in general, perform all the duties incident to the office of the secretary of a nonprofit corporation.

Section 4.7. Treasurer. The treasurer shall have the responsibility for Condominium funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data, and shall be responsible for the deposit of all monies and other valuable effects in the name of the Board of Directors or the Managing Agent, in such depositories as may from time to time be designated by the Board of Directors. An annual audit of the association's financial records may be conducted at the discretion of the Board of Directors.

Section 4.8. Agreements, Contracts, Deeds, Checks, etc. All agreements, contracts, deeds leases, checks and other instruments of the Association, shall be executed by an officer of the Association or by such other person as may be designated by the Board of Directors.

Section 4.9. Compensation of Officers. Officer's compensation, if any shall be determined by the members of the Association.

ARTICLE 5

LIABILITY AND INDEMNIFICATION OF OFFICERS

AND DIRECTORS AND UNIT OWNERS' ASSOCIATION

Section 5.1. Liability and Indemnification of Officers and Directors. The Association shall indemnify every officer and director of the Association against any and all expenses, including attorneys' fees, reasonably incurred by or imposed upon any officer or director in connection with any action, suit or other proceeding (including settlement of any suit or proceeding if approved by the Board of Directors) to which the officer or director may be made a party by reason of being or having been an officer or director of the Association regardless of whether he is an officer or director at the time such expenses are incurred. The officers and directors of the association shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and directors of the Association shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors are Unit Owners) and the Association shall indemnify and forever hold each officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any rights to which any officer or director of the Association, or former officer or director of the Association, may be entitled.

Section 5.2. Common or Interested Directors. The Board of Directors shall exercise its powers and perform its duties in good faith and with a view to the interests of the Association and Condominium. A contract or other transaction between the Association and one or more of its Directors, or between the Association and any corporation, firm or association (including the Declarant) in which one or more of the Directors of the Association are directors or officers or are pecuniarily or otherwise interested, shall not be void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because such Director's or Director's votes are counted for such purpose, provided that any of the conditions specified in any of the following exist:

(a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes and the Board of Directors authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

(b) The fact of the common directorate or interest is disclosed or known to the Unit Owners, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) The cost of any services or goods contracted for is competitive with the cost of like services or goods provided by other reputable companies offering such services or goods in the Columbia, South Carolina metropolitan area; or

(d) The contract or transaction is commercially reasonable for the Condominium and to the Association at the time it is authorized, ratified, approved or executed.

A common or interested Director may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote thereat to authorize any contract or transaction as if he were not such a common or interested Director or officer.

Section 5.3. Exculpation of the Association. The Association shall not be liable for any failure of water supply or other services to be obtained by the Association or paid for as a Common Expense, or for injury or damage to any person or property caused by the elements or by the Unit Owner of any Unit, or any other person, or resulting from electricity, water, snow or ice which may leak or flow from any portion of the Common Elements of from any pipe, drain conduit, appliance or equipment. The Association shall not be liable to any Unit Owner for loss or damage, by theft or otherwise, of articles which maybe store upon any of the Common Elements. No offset, diminution or abatement of any assessments, as elsewhere provided herein, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Elements or from any action taken by the Association to comply with any law or ordinance or with the order or directive of any municipal or other governmental authority.

## ARTICLE 6

### OPERATION OF THE CONDOMINIUM

Section 6.1. Determination of Common Expenses and Assessments Against Unit Owners.

(a) Fiscal Year. Unless otherwise determined by the Board of Directors, the fiscal year of the Association shall be the calendar year, except that in the initial year of operation of the Association, the fiscal year shall commence with the consummation of the sale of the first Unit and shall end on December 31.

(b) Preparation and Approval of Budget. Each year on or before December 1, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount which it considers necessary to pay the cost of utility services,

maintenance, management, operation, repair and replacement of the Common Elements; and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common expenses by the condominium Act, the Condominium Instruments, or a resolution of the Board of directors, and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Common Elements, including Limited Common Elements, of the Condominium and the rendering to the Unit Owners of all related services. The budget may also include:

(1) The cost of any maintenance, repair and replacement of any Unit if such maintenance, repair or replacement, or is reasonably necessary in the discretion of the Board of Directors to protect the Common Elements or to preserve the appearance or value of the Condominium or is otherwise in the interest of the general welfare of all Unit Owners. No maintenance, repair or replacement of any Unit shall be undertaken without (1) a resolution by the Board of Directors, and (2) prior to reasonable written notice to the Unit Owner of the Unit proposed to be maintained, repaired or replaced. Unless the Board of Directors determines otherwise after consideration of all relevant factors, the cost of any maintenance, repair or replacement to a Unit shall be assessed against the Unit to which such maintenance, repair or replacement is performed. Once so assessed, a statement for the amount thereof shall be rendered promptly to the Unit Owner at which time the assessment shall become due and payable and shall constitute a continuing lien and obligation of the Unit Owner as provided in these Bylaws.

(2) Any amount necessary to discharge any lien or encumbrance levied against the Condominium, or any portion thereof, which may, in the opinion of the Board of Directors, constitute a lien against the common Elements.

(3) Any reasonable amount as the Board of Directors considers necessary to provide a working fund for the Association, a general operation reserve, and reserves for contingencies and replacements. The Board of Directors shall send to each Unit Owner a copy of the budget, in itemized form, which sets forth the amount of the Common Expenses payable by each Unit Owner, at least ten (10) days prior to the beginning of the fiscal year to which the budget applies. The budget shall constitute the basis for determining each Unit Owner's contribution towards the Common Expenses of the Association.

(c) Assessment and Payment of Common Expenses. The total amount of the estimated funds required for the operation of the Association set forth in the budget for the fiscal year adopted by the Board of Directors shall be assessed against each Unit in proportion to its Percentage Interest, and shall constitute a lien against each Unit. The total annual Common Expenses assessment shall be due and payable when such assessment is made, but installment payments of one-twelfth (1/12) of the assessment for such fiscal year may be made monthly, in advance, beginning on or before the first day of the first month of the fiscal year, and continuing on the first day of each of the succeeding eleven (11) months. The obligation to pay annual common Expenses assessments applicable to a Unit shall (i) commence on the earlier of (a) the first day of the calendar

month following the issuance of certificate permitting occupancy of the Unit, or (b) sixty (60) days after the conveyance of the first Unit in the Phase, and (ii) be prorated for any partial year if the date that the obligation to commence paying annual Common Expenses assessments is other than the first day of the association's fiscal year. Such payments shall be made by each Unit Owner to the Board of Directors or the Managing Agent (as determined by the Board of directors) without offset, reductions or counterclaims. Within sixty (60) days after the end of each fiscal year, the Board of directors shall supply to all Unit Owners an accounting of the Common expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Such information shall be available to Mortgagees upon submission of a written request thereof. In addition, any Mortgagee shall have the right to have an audited financial statement prepared at the Mortgagee's expense. Any amount accumulated in excess of the amount required for actual expenses and reserve may, if the Board of Directors deems it advisable, be credited, according to each Unit's Percentage Interest, to the installments due in the succeeding months of that or the following fiscal year.

(d) Reserves. The Board of Directors shall accumulate and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against reserves allocated thereto. If the reserves are inadequate for any reason, including nonpayment of any Unit Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Units according to their respective Percentage Interests, and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall give written notice of any further assessment to all Unit Owners, by mail or hand delivery, stating the amount, the reasons thereof, and the due date for payment of such assessment. All Unit Owners shall be obligated to pay the adjusted monthly amount or, if the additional assessment is to be paid in a lump sum, payment shall be due and payable no earlier than 90 days after delivery or mailing of the notice. All Unit Owners shall be obligated to pay the additional assessment unless the Unit Owners by a majority of votes cast, in person or by proxy, at a meeting of the Association convened in accordance with the provisions of these Bylaws within 60 days of the delivery or mailing of the notice required by this subsection, rescind or reduce the additional assessment. No director or officer of the Association shall be liable for failure to perform his fiduciary duty if an additional assessment for the funds necessary for the director or officer to perform his fiduciary duty is rescinded by the Association in accordance with this subsection. The Association shall indemnify such director or officer against any damage resulting from any claimed breach of fiduciary duty arising therefrom.

(c) Initial Capital Payment.

(1) Upon taking office, the first Board of Directors elected or designated pursuant to these By-Laws shall determine the budget, as defined in the

Section, for the period commencing thirty days after such election and ending on the last day of the fiscal year in which such election occurs. Assessments shall be levied and become a lien against the Unit Owners during such period as provided in paragraph (c) of this Section.

(2) Declarant, as the agent of the Board of directors, will collect from each initial purchaser at the time of settlement as "Initial Capital Payment" equivalent to twice the sum of the estimated monthly assessment for Common Expenses for such purchaser's Unit. Declarant will deliver the funds so collected to the Board of Directors. Within thirty days after the expiration of the period of declarant control, Declarant shall pay to the Board of Directors an "Initial Capital Payment" equivalent to twice the sum of the estimated monthly assessments for Common Expenses for all unsold Units. Declarant shall have the right to have the purchaser of each such unsold Unit Reimburse Declarant, at closing of the sale of that Unit, the amount of the Initial Capital Payment so paid by the declarant as to that Unit. No Initial Capital Payment shall be deemed an advance payment of assessments otherwise payable under these By-Laws

(3) The Board of Directors shall hold all Initial Capital Payments received by it pursuant to Subsections (1) and (2) of this Section 6.1(e) as a working capital fund in a segregated account for the use and benefit of the Association (the "Working Capital Fund") and shall withdraw monies from such fund only to pay for necessary unforeseen expenditures of, or additional equipment or services for, the Condominium. During the period of Declarant control, the Declarant may not use any of the working capital funds to defray the Declarant's expenses, reserve contributions or construction costs or to make up any budget deficits.

(f) Effects of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his allocable share of the Common Expense as herein provided whenever the same shall be determined, and in absence of any annual budget or adjusted budget, each Unit Owner shall continue to pay the monthly charge established for the previous fiscal period until the new annual or adjusted budget shall have been delivered.

(g) Accounts. All sums collected by the Board of Directors with respect to assessments against the Unit Owners may be commingled into a single fund, but shall be identified and accounted for as to each Unit Owner.

(h) Association's Unit. Should the Association be the Owner of a Unit or Units, any assessment which would be otherwise due and payable to the association by the owner of such Unit or Units, reduced by the amount of income which might be derived from the leasing of such Unit or Units, shall be apportioned and an assessment thereof levied ratably among the Owners of all Units not owned by the Association based upon the respective Percentage Interests appertaining to those Units.

Section 6.2. Payment of Common Expenses, Default. All Unit Owners shall be obligated to pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of Section 6.1 and any assessment not paid within thirty (30) days after it is due shall be in default. Upon default the entire annual assessment attributable to the defaulting Unit Owner shall immediately become due and payable, unless otherwise determined by the Board of Directors. No Unit Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit subsequent to a sale, transfer or other conveyance by him of such Unit. Upon payment to the association of a reasonable fee established from time to time by the Board of Directors, any Unit Owner shall be entitled to a statement from the Treasurer setting forth the amount of the unpaid assessment against the Unit Owner. Notwithstanding any other provision of these Bylaws, the lien for any assessment or other charge levied pursuant to these Bylaws on any Unit shall be subordinate to the rights of a Mortgagee. Any Mortgagee who obtains title to a Unit pursuant to the remedies provided in the Mortgage or other purchaser at the foreclosure of a Mortgage will not be liable for any assessments or other charges accrued prior to the date the mortgagor is divested of title, and the lien for assessments due and owing prior to such divestment shall terminate upon the sale of a Unit at the foreclosure of a Mortgage.

Section 6.3. Collection of Assessments. The Board of Directors shall take prompt action to collect any assessment for Common Expenses due from any Unit Owner which remains unpaid for more than thirty (30) days from the due date for payment thereof. A late charge and interest in amounts established by the Board of Directors from time to time shall be added to any assessment or installment thereof paid within ten (10) days after the due date thereof.

Section 6.4. Maintenance, Repair, Replacement and Other Common Expenses.

(a) By the Association. The Association shall be responsible for all maintenance, repair and replacement of the Common Elements, including the Limited Common Elements. The Association shall not be responsible for the cleaning and housekeeping of the interiors of Limited Common Elements. The cost of all such maintenance, repairs and replacements made by the Association to the Common Elements and Limited Common Elements shall be Common Expenses unless (i) in the opinion of not less than two-third (2/3) of the Board of Directors, such expenses was incurred due to the negligence, misuse or neglect of a Unit owner, in which event such expense may be charged to the responsible Unit Owner, or (ii) the Unit Owner has agreed, by separate agreement with the Association, to pay for such maintenance, repairs and replacements to Limited Common Elements of a special or unique nature or benefit to the Unit Owner.

(b) By the Unit Owner. Each Unit Owner shall:

(1) keep his Unit and its equipment, appliances and appurtenances in good order, condition and repair and in clean and sanitary condition;



(2) be responsible for all damage to any other Units or to the Common Elements resulting from his negligence, misuse or from failure to make any of the repairs required by this Section;

(3) perform his responsibility in a manner which shall not unreasonably disturb or interfere with the other Unit Owners;

(4) promptly report to the Board of Directors or the Managing Agent any defect or need for repairs for which the Board of Directors is responsible; and

(5) make all repairs and replacements to his Unit.

(6) be responsible for any insurance deductibles on claims made under policies maintained by the Association pursuant to Article 7 for damage, repair or replacement of Units or other items for which the Unit Owner has responsibility for repair or replacement.

(c) Manner of Repair and Replacement. All repairs and, replacements shall be of first-class quality and shall comply with all of the building codes applicable in the County of Lexington, South Carolina (the "County"). The method of approving payment vouchers for all repairs and replacements which are the responsibility of the Association shall be determined by the Board of directors. Common Elements shall be restored or repaired to substantially the same condition as existed prior to the damage, allowing for any changes or improvements necessitated by changes in applicable building codes and changes in the availability, quality, durability, and cost of replacement materials.

Section 6.5. Additions, Alterations or Improvements by Board of Directors.

Except during the Declarant Control Period, whenever in the judgment of the Board of Directors, the Common Elements shall require additions, alterations or improvements costing in excess of TEN THOUSAND DOLLARS (\$10,000.00) or five percent (5%) of the annual budget, whichever is greater, during any period of twelve months, the making of such additions, alterations or improvements shall be approved by a majority of the Unit Owners (except that no Unit Owner approval shall be required for additions, alterations or improvements required to comply applicable law or governmental regulation, or to correct any deficiency or defect creating a safety or health hazard to occupants). If a majority of the Unit Owners grant such approval, the Board of Directors shall proceed with such additions, alterations or improvements and shall assess all Unit Owners for the cost thereof as a Common Expense. Any additions, alterations, or improvements costing TEN THOUSAND DOLLARS (\$10,000.00) or less during any period of twelve (12) consecutive months may be made by the Board of Directors without approval of the Unit Owners and the cost thereof shall constitute part of the Common Expenses. Notwithstanding the foregoing, if it is determined by a majority of the members of the Board of Directors that such additions, alterations or improvements are exclusively for the benefit of the Unit Owner or Unit Owners in such proportion as they

jointly approve, or if they are unable to agree thereon, in such proportions as may be determined by the Board of Directors.

Section 6.6. Additions, Alterations or Improvements by Unit Owners. No Unit Owner shall make any structural addition, alteration or improvement in or to, the exterior of his Unit without first obtaining the prior written consent of the Board of directors, and the approval of the appropriate and necessary authorities of the County. Unless the foregoing approvals are obtained, no Unit Owner shall install electrical wiring, television or radio antennae or other objects, machines or air conditioning units which may protrude through the walls, roof or windows of the Unit or in any manner alter the appearance of any exterior portion of the Unit. If approval of such plans and specifications is neither granted nor denied by the Board of Directors within thirty (30) days following receipt by the Board of Directors of the Unit Owner's written request for approval, the Unit Owner making such request shall deliver written notice to the Board of Directors of its failure to act, and if approval is neither granted nor denied within fifteen (15) days thereafter, the plans and specifications shall be deemed to be disapproved by the Board of directors. If any application to any governmental authority for a permit to make any such structural addition, alteration or improvement in or to any Unit requires execution by the Association, and provided consent has been given by the Board of Directors, then the application shall be executed on behalf of the Association by the Board of Directors; without, however, incurring any liability on the part of the Board of Directors or Association to any government, municipality, contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any person having claim for injury to persons or damage to property arising therefrom. The Unit Owner requesting the improvement shall pay the costs of preparing and filing all applications.

The provisions of this Section 6.6 shall not apply to Units owned by the Declarant until deeds conveying title to such Units shall have been recorded. The Declarant shall have the right to make such improvements or alterations without the consent of the Board of Directors and the Board of Directors shall execute any application by the Declarant to any governmental authority which may be required.

Section 6.7. Use of Common Elements. A Unit Owner shall not place or cause to be placed in any of the common areas or common facilities constituting the Common Elements, other than areas which may be designated as the Limited Common Elements appurtenant to the Unit Owner's Unit, any obstructions, furniture, packages or objects of any kind.

Section 6.8. Utility Charges. Each Unit Owner shall be responsible for all charges or assessments for utilities, including but not limited to water, gas, electricity and sewer charges supplied to each Unit Owner's Unit and separately metered for the Unit. Any Common Expenses paid or incurred in making available the same off-site amenities or paid subscription television service to some or all of the Unit Owners shall be assessed equally against the Units involved. The cost of utilities serving the Condominium which are not individually metered to each Unit shall be a Common Expense.

Section 6.9. Restrictions on Use of Units and Common Elements; Rules and Regulations.

(a) Use. Units shall not be used for other than as a residence for individuals living together as a single housekeeping unit, and uses customarily incidental thereto; provided that no Unit may be used as a rooming house, group home, commercial foster home, fraternity or sorority house, or any similar type of lodging, care or treatment facility.

(b) Leases. Units shall not be leased, unless the lease is subject in all respects to the terms and provisions of the Condominium Instruments. The Board may adopt regulations requiring the use of a lease form or addendum form approved by the Board for this purpose.

(c) Personal Property Items Prohibited. Swing sets and outdoor play equipment associated with children activities, including basketball goals, sandboxes and other playground equipment, shall be prohibited from Common Areas.

(d) No Boats, Trailers, etc. No boats trailers, motor homes or commercial vehicles may be parked on any street or driveway in the Condominium except on an overnight basis (24 hours) for loading, unloading or providing service.

(e) Swimming Pools. The swimming pool and Clubhouse are for the exclusive use of Unit Owners and their guests.

(f) Declarant's Use. Nothing in these Bylaws shall be construed to prohibit the Declarant from using any Unit owned by Declarant for promotional, marketing, sales, settlement or display purposes or from using any appropriate portion of the Common Elements for such purposes.

(g) Additional Use Restrictions.

(1) Nothing shall be done or kept in or upon any Unit, Limited Common Element or the Common Elements which will increase the rate of insurance for the Condominium without the prior written consent of the Board of Directors. No Unit Owner shall permit anything to be done or kept in his Unit or upon the Common Elements or Limited Common Elements which will result in the cancellation of insurance on the Condominium or any part thereof or which would be in violation of any law, regulation or administrative ruling. No waste will be committed by any Unit Owner in the Common Elements.

(2) No unlawful use shall be made of the Condominium or any part thereof, and all laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations or requirements of any governmental agency requiring any repair or alteration to any portion of the Condominium. If the latter, then the cost of such compliance shall be a Common Expense, unless at least two thirds (2/3) of the Board of Directors determine that an

alteration is required to satisfy the needs of the particular Unit Owner, in which event the cost of the alteration may be charged to the Unit Owner.

(3) Vehicular parking upon the Common Elements if provided and available may be regulated or assigned by the Board of Directors. In addition, nothing shall be altered or constructed in or removed from the Common Elements without the prior written consent of the Board of Directors.

(4) Nothing shall be done in any Unit or in or on the Common Elements which might impair the structural integrity, or change the structure or external appearance, of any part of any Unit or Limited Common Element without the prior written consent of the Board of Directors.

(5) No noxious or offensive trade or activity shall be carried on within the Condominium or within any Unit, nor shall anything be done thereon or therein which may be or become an annoyance or nuisance to the neighborhood or the other Unit Owner. The Common Element and Limited Common Elements shall be used only for the furnishing of the services and facilities for which the same are reasonable suited and which are incident to the use and occupancy of the Units.

(6) Except for such signs as may be posted by the Declarant for promotional or marketing purposes, no signs of any character shall be erected, posted, or displayed upon, in, from or about any Unit or Common Element without the prior written approval of the Board of directors. The foregoing provisions of paragraph shall not apply to a Mortgagee in possession of a Unit as a result of foreclosure, judicial sale or a proceeding in lieu of foreclosure.

(g) Rules and Regulations. The Board of Directors is hereby authorized to adopt, modify and rescind from time to time rules and regulations that it determines are (a) reasonably necessary to protect the health, safety and welfare of the Unit Owners or (b) otherwise generally in the best interest of the Unit Owners. The Association shall provide copies of the initial Rules and Regulations to all Unit Owners. Changes to Rules and Regulations shall be conspicuously posted prior to the time when the same become effective and copies thereof shall be furnished to each Unit Owner upon request.

## ARTICLE 7

### INSURANCE

#### Section 7.1. Authority to Purchase.

(a) Except as otherwise provided in Section 7.5, all insurance policies relating to the Condominium shall be purchased by or on behalf of the Association. Neither the Association, any officer or director, a Managing Agent, nor the Declarant shall be liable for failure to obtain any coverage required by this Article to be obtained by or on behalf of the Association if such failure is due to the unavailability of such

coverages from reputable insurance companies, or if such coverages are available only at demonstrably unreasonable cost.

(b) Each policy purchased by or on behalf of the Association shall provide, to the extent reasonably available at reasonable rates, that:

(1) The insurer waives any right of subrogation against the Declarant, the association, the officers and directors, Managing Agent, the Unit Owners and Mortgagees, and their respective agents, employees and invitees;

(2) The policy shall not be cancelled, invalidated or suspended due to the conduct of any officer or director, Unit Owner, Managing Agent, or any invitee, agent, officer, or employee of any of the foregoing without a prior demand in writing to the Board of Directors or the Managing Agent (whichever is applicable) that the defect be cured, followed by failure to cure the defect within sixty (60) days after such demand; and

(3) The policy shall not be cancelled or substantially modified for any reason (including nonpayment of premium) without at least sixty (60) days' prior written notice to the Board of Directors and the Managing Agent and, in the case of physical damage insurance, to all Mortgagees.

(c) The Declarant shall be protected by all policies obtained by or behalf of the association as a Unit Owner as long as it owns any Unit.

(d) All policies of insurance obtained by Unit Owners or by or on behalf of the Association shall be written by companies licensed to do business in the State of South Carolina

(e) All policies of insurance obtained by or on behalf of the Association shall provide that they are payable to the Insurance Trustee (as defined below).

#### Section 7.2. Physical Damage Insurance.

(a) The Board of Directors shall obtain and maintain a blanket, "all-risk" form policy of fire insurance with extended coverage, vandalism, malicious mischief, windstorm, debris removal, cost of demolition and water damage endorsements, insuring the entire Property, excluding furniture, wall coverings, furnishings or other personal property supplied or installed by the Unit Owners, together with all of the utility systems, if any, other than improvements such as curbs, gutters, and other items not normally insured, if any. Such insurance shall cover the interests of the Association, the Board of Directors and all Unit Owners and their Mortgagees, as their interests may appear (subject, however, to the loss payment and adjustment provisions in favor of the Board of Directors as Insurance Trustee contained in Sections 7.6 and 7.7 of this Article), and shall be in an amount that would provide for one hundred percent (100%) of the then current replacement cost of the insured portions, if any, of the Property (exclusive of land, excavations, foundations and other items normally excluded from such coverage),

without deduction for depreciation. Such amount shall be determined annually by the Board of Directors with the assistance of the Managing Agent, the insurance company affording such coverage, and (if the Board so resolves) a qualified appraiser of real estate.

(b) Such policy shall also provide:

(1) A waiver of any right of the insurer to repair, rebuild or replace any damage or destruction if a decision is made pursuant to Section 8.5 of these Bylaws not to do so, and, in such event, that the insurer shall pay on the basis of the agreed amount endorsement;

(2) The following endorsements (or equivalent): (i) "no control" (to the effect that coverage shall not be prejudiced by any act or neglect of any Unit Owner, occupant, or other person if such act or neglect is not within the control of the insured, nor by any failure of the insured or any other person to comply with any warranty or condition concerning any portion of the Condominium not controlled by the insured); (ii) "contingent liability from operation of building laws or codes"; (iii) "increased cost of construction" or "condominium replacement cost"; and (iv) : "agreed amount" or elimination of coinsurance clause;

(3) That any "no other insurance" clause excludes individual Unit Owners' policies from its operation so that the physical damage policy purchased on behalf of the Association shall be deemed primary coverage and any individual Unit Owners' policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained on behalf of the Association hereunder be brought into contribution with insurance purchased by individual Unit Owners or their Mortgagees unless otherwise required by law; and

(4) That a duplicate original of such policy, all renewals thereof, and any subpolicies or certificates and endorsements issued thereunder, together with proof of payment of premiums, shall be delivered by the insurer to any Mortgagee whose request therefore is received by the insurer at least thirty (30) days prior to expiration of the then current policy.

**Section 7.3. Liability Insurance.** The Board of Directors shall obtain and maintain comprehensive general liability insurance (including without limitation coverage of all officers and directors against libel, slander, false arrest, invasion of privacy, and errors and omissions) and property damage insurance in such limits as the Board may from time to time determine insuring the Association, each officer and director, the Managing Agent, each Unit Owner, each Mortgagee, and the Declarant against any liability to the public or members of their household arising out of or incident to the ownership or use of the Common Elements. Such insurance shall be issued on a comprehensive liability basis and shall contain: (i) a cross liability endorsement under which the rights of a named insured shall not be prejudiced with respect to his action against another named insured; (ii) hired and nonowned vehicle coverage; (iii) host liquor liability coverage with respect to events sponsored by the association; (iv) deletion of the

normal products exclusion with respect to events sponsored by the Association; and (v) a "severability of interest" endorsement which shall preclude the insurer from denying liability to a Unit Owner because of negligent acts or omissions of the Association, any officer(s), or any other Unit Owner(s). The Board of Directors shall review such limits once a year, but in no event shall such insurance be less than a combined single limit of One Million Dollars (\$1,000,000) covering all claims for bodily injury or property damage arising out of occurrence.

Section 7.4. Other Insurance. The Board of directors may, in its discretion, obtain and maintain:

(a) Adequate fidelity coverage to protect against dishonest acts on the part of officers, agents and employees of the Association and all others who handle or are responsible for handling funds of the Association. The fidelity bonds shall: (i) name the Association as an obligee; (ii) be written in an amount not less than one-half (1/2) of the total annual assessments for Common Expenses for the then current fiscal year; provided, however the aggregate amount of the bonds shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the Managing Agent at any time during the term of the bond, or a sum equal to three (3) months' aggregate assessment on all Units plus reserve funds; and (iii) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression;

(b) Worker's compensation insurance if and to the extent necessary to meet the requirements of law; and

(c) Such other insurance as the Board of Directors may determine is appropriate or as may be required from time to time by resolutions of the Association.

Section 7.5. Unit Physical Damage Insurance.

(a) Each Unit Owner shall have the right, at his own expense, and is encouraged to obtain and maintain in full force and effect a condominium unit owner's casualty policy insuring such Unit Owner's personal property, as well as any improvements to the Unit (under coverage normally called "improvements and betterments coverage"), including insurance coverage for his personal liability; provided, however, that no Unit Owner shall acquire or maintain insurance coverage so as to decrease the amount which the association may realize under any insurance policy, or to cause any insurance coverage in favor of the Association to be brought into contribution with insurance coverage obtained by a Unit Owner. All policies obtained by Unit Owners individually shall contain waivers of subrogation if permitted by the insuring company without additional premium. No Unit Owner shall obtain separate insurance policies on the Condominium except as provided in this section.

(b) In the event that any claim shall be made under an insurance policy maintained by the Association for the repair or replacement of any

Unit, any improvements to a Unit, or any personal property owned by a Unit Owner, any deductibles related thereto shall be charged to the responsible Unit Owner and such expenses shall be secured by the lien for payment of Common Expenses as provided in these Bylaws.

Section 7.6. Insurance Trustee. All physical damage insurance policies purchased by or on behalf of the Association shall be for the benefit of the Association, the Unit Owners, and their Mortgagees, as their respective interests may appear, and shall provide that, with respect to any single loss, if the proceeds thereof exceed \$50,000.00, then all such proceeds shall be paid in trust to a financial institution in the Lexington, South Carolina, area with trust powers as may be designated by the Board of Directors (which trustee. Is hereinafter referred to as the "Insurance Trustee"). If such proceeds do not exceed \$50,000.00, then all such proceeds from such insurance shall be paid to the Board of Directors to be applied pursuant to the terms of Article 8 of these By-Laws. The Board of Directors shall enter into an insurance trust agreement with the Insurance Trustee which shall provide that the Insurance Trustee shall not be liable for payment of premiums, the renewal of any insurance policies, the sufficiency of coverage, the form or contents of the policies, the correctness of any amount received on account of the proceeds of any insurance policies or for the failure to collect any insurance proceeds. The sole duty of the Insurance Trustee shall be to received such proceeds as are paid to it and to hold the same in trust for the purposes stated in Article 8 of these Bylaws, for the benefit of the insured and their beneficiaries thereunder.

Section 7.7. Board of Directors as Agent. The Board of directors is irrevocably constituted as agent for the Association, each Unit Owner, each Mortgagee, other named insureds and their beneficiaries, and any other holder of a lien or other interest in the Condominium, to adjust and settle all claims arising under insurance policies purchased by the Board of Directors and deliver releases upon the payment of claims. Nothing in this Section shall supersede the rights of any construction lender with a lien on the Condominium.

## ARTICLE 8

### REPAIR AND RECONSTRUCTION AFTER FIRE OR OTHER CASUALTY

Section 8.1. When Repair and Reconstruction are Required. Except as otherwise provided in this Article, upon damage to or destruction of all or any part of the insured Common Elements, as a result of fire or other casualty, the Board of Directors (under the direction of the Insurance Trustee) shall arrange for and supervise the prompt repair and restoration thereof.

Section 8.2. Procedure for Reconstruction and Repair.



(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any part of the insured Common Elements, the Board of Directors (under the direction of the Insurance Trustee) shall obtain reliable and detailed estimates of the cost of such repair and restoration to a condition as good as that existing before such casualty or damage. Such costs may also include professional fees and premiums for such bonds as the Insurance Trustee determines necessary.

(b) Assessments. If the proceeds of insurance are not sufficient to defray such estimated costs of reconstruction and repair or if at any time during reconstruction and repair, or upon completion of reconstruction and repair, the funds for payment of the costs thereof are insufficient, assessments for such deficiency shall be made against all the Unit Owners in proportion to their respective Percentage Interests.

(c) Deductibles. Any insurance deductible under the master casualty policy shall be paid by the Association as a common expense if the cause of the damage to or destruction of any portion of the Condominium originated in or through the Common Elements or an apparatus located within the Common Elements. However, a Unit Owner shall pay such deductible if the cause of any damage to or destruction of any portion of the Condominium originated in or through a Unit or any component thereof without regard to whether the Unit Owner was negligent.

Section 8.3. Plans and Specifications. Any reconstruction or repair of the Units and the Common elements shall be substantially in accordance with the plans and specifications under which the condominium was originally constructed, regardless of whether such improvements are insured by a policy carried by the Unit Owner or the association, but subject to changes in applicable building codes and changes in the availability, quality, durability and cost of replacement materials.

Section 8.4. Disbursements of Construction Funds.

(a) Construction Fund. The net proceeds of insurance collected on account of a casualty and the funds received by the Board of Directors or Insurance Trustee from assessments against Unit Owners on account of such casualty shall constitute a construction fund which shall be disbursed by the Insurance Trustee or the Board of Directors, as the case may be, in payment of the cost of reconstruction and repair in the manner set forth in this Article 8, but subject to the provisions of any Mortgages encumbering Units as provided in Article 9 of these Bylaws:

(b) Method of Disbursements.

(i) If the cost of reconstruction or repair is less than Fifty Thousand Dollars (\$50,000), then the construction fund shall be disbursed by the Board of Directors in appropriate progress payments, to any contractors, suppliers, and personnel performing the work or supplying materials or services for such repair, restoration or reconstruction.

(ii) If the estimated cost of reconstruction and repair is Fifty Thousand Dollars (\$50,000) or more, then the construction fund shall if be disbursed in payment of such costs upon approval of an architect qualified to practice in South Carolina, approved by the Board of Directors, and employed by the Insurance Trustee to supervise such work, with payment to be made from time to time as the work progresses. The architect shall be required to furnish a certificate giving a brief description of the services and materials furnished by various contractors, subcontractors, materialmen, the architect and other persons who have rendered services or furnished materials in connection with the work and stating that (A) the sums requested by them in payment are justly due and owing and that such sums do not exceed the value of the services and material furnished; (B) there is no other outstanding indebtedness known to the architect for the services and materials described; and (C) the cost as estimated by the architect fir the work remaining to be done subsequent to the date of such certificate does not exceed the amount of the construction fund remaining after payment of the sum so requested. When the damage is to Common Elements, Limited Common Elements and Units, the insurance proceeds shall be applied first to the cost of repairing those portions of the Common Elements which enclose and service the Units, then to the cost of repairing the other Common Elements, then to the cost of repairing the Limited Common Elements and thereafter to the cost of repairing the Units.

(c) Surplus. It shall be presumed that the first monies disbursed in payment for the cost of reconstruction and repair shall be from insurance proceeds; and if there is a balance in a construction fund after the payment of all the costs of the reconstruction and repair for which the fund is established, such balance shall be divided among all Unit Owners in proportion to the Percentage Interests appertaining to their respective Units and disbursed in accordance with the priority of interests at law or in equity in each Unit.

(d) Certificate. The Insurance Trustee shall be entitled but not obligated to rely upon a certificate executed by the President or Vice-President, and the Secretary, of the Association certifying:

(i) The name of the payee and the amount to be paid with respect to disbursement from any construction fund held by it or whether surplus funds to be distributed are less than the assessments paid by the Unit Owners; and

(ii) All other matters concerning the holding and disbursing of any construction fund.

The certificate shall be delivered to the Insurance Trustee promptly after request.

Section 8.5. When Construction is Not Required. If two-thirds (2/3) or more of the Condominium is rendered untenable and eighty percent (80%) or more of the Owners vote at a special meeting of the Association (to be held for such purpose within thirty (30) days after such casualty) that the Condominium not be repaired and if the

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insurance policy covering such damage does not require otherwise, and all Mortgagees agree, then any insurance proceeds received on account of such damage along with the net assets of the Condominium, shall be divided by the Board of Directors or the Insurance Trustee, as the case may be, among all Unit Owners in proportion to the Percentage Interests appertaining to their respective Units, after first paying out of the share of each Unit Owner, to the extent sufficient thereof, the amount of any unpaid liens on that Owner's Unit in the order of priority of such liens.

## ARTICLE 9

### MORTGAGEES AND MORTGAGES

Section 9.1. Notice to Board of Directors. A Unit Owner who encumbers his Unit with a Mortgage shall notify the Board of directors of the name and address of the Mortgagee and shall file a copy of the note and mortgage with the Board of directors certified by the Unit Owner to be true, correct and complete.

Section 9.2. Notice of Unpaid Assessments for Common Expenses. The Board of Directors, whenever so requested in writing by a Mortgagee, shall promptly report to the Mortgagee any unpaid assessments for Common Expenses due from, or any other default by, the Unit Owner of the mortgaged Unit.

Section 9.3. Notice of Default, Casualty and Condemnation. The Board of Directors, when giving notice to a unit Owner of a default in paying an assessment for Common Expenses or any other default, shall simultaneously send a copy of the notice to the Mortgagee of such unit if requested by the Mortgagee in writing given to the Association with the Mortgagee's address for notice purposes. The Board of Directors shall also notify all Mortgagees of any casualty giving rise to a possible claim under any insurance purchased pursuant to Article 7 of these Bylaws, of all actions taken under Section 8.5, and of any proposed taking in condemnation or by eminent domain and action in response thereto.

Section 9.4. Insurance Proceeds and Condemnation Awards. No provision of the Condominium Instruments shall be construed to give any Unit Owner, the Association, or any other party, priority over the rights of any Mortgagee in the case of any distribution of insurance proceeds or condemnation awards for losses to a taking of Units or Common Elements.

Section 9.5. Notice of Amendment of Declarant or Bylaws. The Board of Directors shall give notice to all Mortgagees seven (7) days prior to the date on which the Unit Owners materially amend any Condominium Instruments.

Section 9.6. Notice of Change in Managing Agent. The Board of Directors shall give notice to all Mortgagees thirty (30) days prior to undertaking self-management or changing the Managing Agent.

Section 9.7. Mortgagees' Approvals. Unless two-third (2/3) or more of all Mortgagees (based upon one (1) vote for each mortgaged Unit) shall have given their prior written approval, neither the Association nor any Unit Owner shall:

(a) Change the Percentage Interest or obligations of any Unit (changes in the Percentage Interests resulting solely from the expansion of the Condominium may be made without the consent of any Mortgagee being required).

(b) Amend the Condominium Instruments in a manner that would materially adversely affect the security of the Mortgagees.

(c) Subdivide, partition or relocate the boundaries of the Common Elements (relocation of the boundaries of the Common Elements resulting solely from the expansion of the Condominium may be made without the consent of any Mortgagee being required).

(d) By act or omission withdraw the submission of the Condominium to the Condominium Act.

Section 9.8. Other Rights of Mortgagees. All Mortgagees or their representatives shall be entitled to attend meetings of the Association and shall have the right to speak thereat. The Association shall make current copies of the Condominium Instruments as well as the books, records and financial statements of the Condominium available for inspection by all Mortgagees and Unit Owners during reasonable business hours or at a mutually convenient time and location.

## ARTICLE 10

### COMPLIANCE AND DEFAULT

Section 10.1. Relief. Each Unit Owner shall be governed by, and shall comply with, all of the terms of the Declarant, these Bylaws, the Association's Rules and Regulations, the other Condominium Instruments and any amendments thereof. Default by a Unit Owner shall entitle the Association, acting through its Board of Directors or through the Managing Agent, to the following relief:

(a) Legal Proceedings. Failure to comply with any of the foregoing items set out in this section shall be grounds for relief which may include, without limitation, an action to recover any sum due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these Bylaws or any combination thereof, and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Board of Directors, the Managing Agent, or, if appropriate, by any aggrieved Unit Owner.

(b) Additional Liability. Each Unit Owner shall be liable for the expense of all maintenance, repair or replacement to the extent rendered necessary by his act, neglect or carelessness or the act, neglect or carelessness of any member of his family or employees, agents, licensees, invitees or lessees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

(c) Costs and Attorneys' Fees. In any proceeding arising out of any alleged default by a Unit Owner, the prevailing party shall be entitled to recover the costs incurred due to the proceeding, and such reasonable attorney's fees as may be determined by the court or other appropriate forum in which such proceeding is instituted.

(d) No Waiver of Rights. The failure of the Association, the Board of Directors, or of a Unit Owner to enforce any right, provision, covenant, or condition which may be granted by the Declarant or these Bylaws shall not constitute a waiver of the right of the Association, the Board of Directors, or the Unit Owner to enforce such right, provision, covenant, or condition in the future. All rights, remedies and privileges granted to the Association, the Board of Directors, or any Unit Owner pursuant to any term, provision, covenant or condition of the Declarant, these Bylaws or the Rules and Regulations shall be deemed to be cumulative, and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such privileges or rights as may be granted to such party by the Declaration, these Bylaws or the Rules and Regulations, or at law or in equity.

(e) Abatement and Enjoinment of Violations by Unit Owners. The violation of the rules or Regulations or the breach of any provision of these Bylaws, the Declarant or any of the Condominium Instruments shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws: (1) to enter, except by force or breach of the peace, the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Unit owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; or (2) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

Section 10.2. Lien for Contributions. Any sum assessed by the Association for the share of the Common Expenses chargeable to any Unit and remaining unpaid for a period of thirty (30) days or longer after the Association has delivered written notice of the amount of such assessment shall constitute a lien on such Unit and shall be enforced pursuant to the provisions of Section 55-79.84 of the Condominium Act.

## ARTICLE 11

## MISCELLANEOUS

Section 11.1. Notices. All notices, demands, bills statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, first-class postage prepaid or otherwise as may be permitted by the Condominium Act:

(a) If to a Unit Owner, at the Address which the Unit Owner shall designate in writing and file with the Secretary of the Association, or if no such address is designated, at the address of the Unit of such Unit Owner; or

(b) If to the Association, the Board of Directors, or the Managing Agent, at the principal office of the Managing Agent if there be one and if there is none, at the residence of the President of the Unit Owners Association and the members of the Board of Directors or at such other address as shall be designated by the notice in writing to the Unit Owners pursuant to this section.

Section 11.2. Invalidity. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.

Section 11.3. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws, or the intent of any provision thereof.

Section 11.4. Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders, and vice versa and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

## ARTICLE 12

### AMENDMENTS TO BYLAWS

#### Section 12.1. Amendments.

(a) Except as otherwise provided in this section, these Bylaws may be modified or amended:

(1) By a vote of the Unit Owner's representing at least two-third (2/3) of the Units in the Condominium at any regular or special meeting, provided that notice of the proposed amendment shall have been given to each Unit Owner at least twenty-one (21) days in advance of such meeting; or

(2) Pursuant to a written instrument duly executed by the Unit Owner's representing at least two-third (2/3) of the Units in the Condominium.

(b) During the Declarant Control Period, these Bylaws may be modified or amended by the Declarant without approval of the Unit Owners being required to (i) make technical amendments which do not materially alter the rights of the unit Owners, and (ii) comply with the requirements, as modified from time to time, of Federal Home Loan Mortgage Association, the Federal National Mortgage Association, or the Veterans' Administration, including, without limitation, insurance and maintenance requirements with respect to the condominium. Amendments to these Bylaws resulting solely from or required in connection with the expansion of the Condominium may be made by the Declarant as set forth in the Declaration, without any approval of the Unit Owners being required. Each Unit Owner shall be given written notice of all amendments made pursuant to this subsection within thirty (30) days after the date such amendment is recorded.

Section 12.2. Recording. A modification or amendment of these Bylaws shall become effective only if such modification or amendment is recorded in the Register of Deeds in Lexington County, South Carolina. A modification or amendment once adopted and recorded shall then constitute part of the official Bylaws of the Condominium, and all Unit Owners shall be bound to abide by such modification or amendment.

Section 12.3. Conflicts. No modification or amendment of these Bylaws may be adopted which shall be inconsistent with the provisions of the Condominium Act.

Section 12.4. Restrictions on Amendments.

(a) Until the expiration of the Declarant Control Period, the following sections of these Bylaws may not be amended without the consent in writing of the Declarant: (i) Section 2.2, (ii) Section 2.8, (iii) Section 3.1, and (iv) Section 12.4 of this Article. No such amendment shall increase the Declarant Control Period beyond that provided for in Section 55-79.74 of the Condominium Act.

(b) No amendment in the Percentage Interest appertaining to each Unit or amendment that would change unit boundaries or amendment to the basis for sharing Common Expenses and other apportionment of assessments which may be levied by the Association in accordance with the provisions hereof, or amendment to the basis of ownership of any reserve funds (other than such amendments resulting solely from the expansion of the Condominium, which may be made by the declarant without any other consent required) shall be made without the prior written consent of all the Unit Owners and two-thirds (2/3) or more of all of the Mortgagees (based upon one (1) vote for each mortgaged Unit).

(c) No alteration, amendment or modification of the rights and

privileges granted and reserved hereunder in favor of a Mortgagee shall be made without prior written consent of two-thirds (2/3) or more of all of the Mortgagees (based upon one (1) vote for each mortgaged Unit).

(d) During the Declarant Control Period, no alteration, amendment or modification of the rights and privileges granted and reserved hereunder in favor of the Declarant shall be made without the prior written consent of the Declarant