

BY-LAWS

OF

CYPRESS BAY GOLF AND TENNIS RESORT III HOMEOWNERS ASSOCIATION,  
INC.

I. IDENTITY

These are the By-Laws of CYPRESS BAY GOLF AND TENNIS RESORT III HOMEOWNERS ASSOCIATION, INC., hereinafter called the "Association", a non-profit corporation incorporated under Title 31 of the Code of Laws of South Carolina 1976, which has been organized pursuant to Title 27 of the Code of Laws of South Carolina 1976, hereinafter referred to as the "Horizontal Property Act", for the purpose of administering CYPRESS BAY GOLF AND TENNIS RESORT III HORIZONTAL PROPERTY REGIME, hereinafter called the "Regime", established pursuant to a Master Deed recorded in the Office of the Clerk of Court for Horry County, South Carolina, hereinafter called the "Master Deed."

A. The term "property" as used herein shall mean and include the land, all improvements, and structures thereon located in Horry County, South Carolina, submitted to CYPRESS BAY GOLF AND TENNIS RESORT III HORIZONTAL PROPERTY REGIME, (hereinafter referred to as the "Regime").

B. The provisions of these By-Laws are applicable to said Regime, and the terms and provisions hereof are expressly subject to the effect of the terms, provisions, conditions, and authorizations contained in the Articles of Incorporation and which may be contained in the Master Deed which will be recorded in the Public Records of Horry County, South Carolina, at the time said property and the improvements now or hereafter situate thereon are submitted to the plan of condominium ownership, the terms and provisions of said Articles of Incorporation and Master Deed to be controlling wherever the same may be in conflict herewith.

C. All present or future owners, tenants, future tenants, or their employees, or any other person that might use said Regime or any of the facilities thereon in any manner are subject to the regulations set forth in these By-Laws and in said Articles of Incorporation and Master Deed.

D. The fiscal year of the Association shall be the calendar year.

II. MEMBERS

A. The members of the Association shall consist of all of the owners by the records of Horry County, South Carolina, of a Unit in the Regime and after termination of the Regime, shall consist of

those who are members at the time of the termination and their successors and assigns.

B. Change of membership in the Association shall be established by recording in the public records of Horry County, South Carolina, a deed or other instrument establishing a record title to a Unit in the Regime and the delivery to the Association of a certified copy of such instrument. The owner designated by such instrument thus becomes a member of the Association and the membership of the prior owner is terminated.

C. The share of a member in the funds and assets of the Association cannot be assigned, hypothecated, or transferred in any manner except as an appurtenance to his Unit.

D. All owners, by virtue of their ownership of a Unit are mandatory members of the Association, and shall be entitled to vote on all matters upon which members of the Association are entitled to vote, pursuant to the Articles of Incorporation and in accordance with these By-Laws. Owners shall be entitled to one vote in accordance with their percentage interest in the common elements belonging to their respective Unit.

E. Until such time said Master Deed is recorded, the membership of the Association shall be comprised of the subscribers to the Articles of Incorporation, each of which subscribers shall be entitled to cast one vote on all matters on which the membership shall be entitled to vote.

F. The annual members meetings shall be held at the office of the Association at 10:00 a.m., Eastern Standard Time, on the first Saturday in December in each year for the purpose of electing directors and of transacting any other business authorized to be transacted by the members; provided, however, that if that day is a legal holiday, the meeting shall be held at the same hour on the next day. The annual meeting may be waived by a unanimous agreement of the members in writing which provides for the naming of directors not otherwise designated.

G. Special members meetings shall be held whenever called by the President or the Vice President or by a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from members entitled the majority of the votes of the entire membership.

H. Notice of all members meetings stating the time and place and the objects for which the meeting is called shall be given to the President or Vice President or Secretary unless waived in writing. Such notice shall be in writing to each member at his address as it appears on the books of the Association and shall be mailed not less than ten (10) days nor more than sixty (60) days prior to the date of the meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Notice of the meeting may be waived before or after meetings.

I. A quorum at a members meeting shall consist of persons entitled to cast fifty-one (51%) percent of the votes of the Association. The acts approved by a majority of fifty-one (51%) percent of the votes of the Association at a meeting in which a quorum is present shall constitute the acts of the members, except where approval by a greater number of members is required by The Horizontal Property Act, the Master Deed, the Articles of Incorporation, or these By-Laws. The joinder of a member in this action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such member for the purpose of determining a quorum.

J. Proxies. Votes may be cast in person or by a proxy. Proxies may be made by any person entitled to vote and shall be valid only for the particular meeting designated therein and must be filed with the secretary before the appointed time of the meeting or any adjournment thereof.

K. Adjourned Meetings. If any meeting of members cannot be organized because a quorum has not attended, the members who are present, either in person or in proxy, may adjourn the meeting from time to time, until a quorum is present.

L. At members meetings, the President shall preside, or in his absence, the membership shall select a Chairman.

M. The order of business at annual members meetings, and, as far as practical at all other members meetings, shall be:

1. Calling of the roll and certifying of proxies.
2. Proof of notice of meeting or waiver of notice.
3. Reading of minutes.
4. Reports of officers.
5. Reports of committees.
6. Appointment by President or Chairman of Inspectors of Election.
7. Election of Directors.
8. Unfinished business.
9. New business.
10. Adjournment.

### III. BOARD OF DIRECTORS

A. The initial Board of Directors of the Association shall consist of three (3) persons, and succeeding Boards of Directors

shall consist of five (5) persons. All of the Board of Directors shall be members of the Association, or shall be authorized representatives, officers, or employees of a corporate member of the Association.

B. Election of directors shall be conducted in the following manner:

1. Developer shall, at the beginning of the election of the Board of Directors, designate and select that number of the members of the Board of Directors which it should be entitled to designate and select in accordance with the provisions of these By-Laws, and upon such designation and selection by Developer by written instrument presented to the meeting at which such election is held, said individuals so designated and selected by Developer shall be deemed and considered for all purposes directors of the Association, and shall thenceforth perform the offices and duties of such directors until their successors shall have been selected or elected in accordance with the provisions of these By-Laws.

2. All members of the Board of Directors whom Developer shall not be entitled to designate and select under the terms and provisions of these By-Laws, shall be elected by a plurality of the votes cast at the Annual Meeting of the Association immediately following the designation and selection of the members of the Board of Directors whom Developer shall be entitled to designate and select.

3. Vacancies in the Board of Directors may be filled until the date of the next Annual Meeting by the remaining directors, except that should any vacancy in the Board of Directors be created in any directorship previously filled by any person designated and selected by Developer, such vacancy shall be filled by Developer designating and selecting, by written instrument delivered to any officer of the Association, the successor director to fill the vacated directorship for the unexpired term thereof.

4. At the first Annual Meeting of the members held after the Master Deed has been recorded in the Public Records of Horry County, South Carolina, the term of office of the three (3) directors receiving the highest plurality of votes shall be established at two (2) years, and the term of office of the other two (2) directors shall be established at one year. Thereafter, as many directors so elected at the annual meeting of the members each year shall be for two (2) years expiring at the second annual meeting following their election, and thereafter until their successors are duly elected and qualified or until removed in the manner elsewhere provided or as may be provided by the law for the removal of directors of South Carolina corporations for profit. If at the time of the first annual meeting, the Developer is the co-owner of at least one (1), but not more than fourteen (14) Apartments, then the Developer shall have the right to designate and select two Directors whose term of office shall be established at two (2) years, and one director whose term of office shall be



established at one year.

5. In the election of directors, there shall be appurtenant to each Unit as many votes for directors as there are directors to be elected (regardless of the percentage interest in common elements appurtenant to such Apartment); provided, however, that no member or co-owner of any Apartment may cast more than one vote for any person nominated as director, it being the intent hereof that voting for directors shall be non-cumulative.

6. In the event that Developer, in accordance with the privilege granted unto it, selects any person or persons to serve on any Board of Directors of the Association, the said Developer shall have the absolute right at any time, in its sole discretion, to replace any such person or persons with another person or persons to serve on said Board of Directors. Replacement of any person or persons designated by Developer to serve on any Board of Directors of the Association shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the name or names of the person or persons to be replaced and the name or names of the person or persons designated as successor or successors to the persons so removed from said Board of Directors. The removal of any director and designation of his successor shall be effective immediately upon delivery of such written instrument by developer to any officer of the Association.

C. Membership. The affairs of the Association shall be managed by a Board of Directors, hereinafter referred to as the "Board." Until the first election of directors, the Board shall consist of two (2) members appointed by the Developer, who need not be owners of Units in the Regime, and thereafter the Board shall be comprised of three (3) directors, all of whom must be owners of Units in the Regime.

D. The directors shall be elected by ballot (unless dispensed by unanimous consent) and by a plurality of the votes cast at the Annual Meeting of the members of the Association. Each person shall be entitled to vote for as many nominees as there are vacancies to be filled.

E. Except as to vacancies created by removal of directors by members, vacancies in the Board occurring between annual meetings of members shall be filled by the remaining Directors.

F. Any director may be removed in the manner provided by law for the removal of directors of South Carolina Corporations for profit.

G. The term of each director's service shall extend until the next Annual Meeting of the members and thereafter until the successor is duly elected and qualified or until he is removed in the manner elsewhere provided.

H. The organization meeting of a newly elected Board shall be

held within ten (10) days of their election at such place and time as shall be fixed by the directors at the meeting at which they were elected, and no further notice of the organization meeting shall be necessary.

I. Regular meeting of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Notice of a regular meeting shall be given to each director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting, unless such notice is waived by all of the directors.

J. Special meetings of the Board may be called by the President and must be called by the Secretary at the written request of one-third of the directors. Not less than three (3) days notice of the meeting shall be given personally or by mail, telephone or telegraph, which notice shall state the time, place, and purpose of the meeting.

K. Any director may waive notice of the meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.

L. A quorum at a director's meeting shall consist of a majority of the entire Board. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board, except where approval by greater number of directors is required by the Horizontal Property Act, Articles of Incorporation, Master Deed or these By-Laws.

M. If at any meeting of the Board there be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At any adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice.

N. The joinder of a director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such director for the purpose of determining a quorum.

O. The presiding officer of the director's meeting shall be the Chairman of the Board if such officer has been elected; and if none, then the President shall preside. In the absence of the presiding officer the directors shall designate one of their number to preside.

P. Directors fees, if any, shall be determined by the members of the Association.

Q. The first Board shall be comprised of the three (3) persons designated to act and serve as directors in the Articles of Incorporation, which said persons shall serve until their successors are elected at the first Annual Meeting of the members of the Association called after the property identified herein has

been submitted to the plan of Condominium ownership and the Master Deed has been recorded in the Public Records of Horry County, South Carolina. Should any member of said first Board be unable to serve for any reason, a majority of the remaining members of the Board shall have the right to select and designate a party to act and serve as a director for the unexpired term of said director who is unable to serve.

R. The undertakings and contracts authorized by said first Board shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by the first Board of Directors duly elected by the membership after the property identified herein has been submitted to the plan of Condominium ownership and said Master Deed has been recorded in the Horry County Public Records, so long as any undertakings and contracts are within the scope of the powers and duties which may be exercised by the Board in accordance with all applicable Condominium documents.

#### IV. POWERS AND DUTIES OF THE BOARD OF DIRECTORS

All of the powers and duties of the Association existing under the Horizontal Property Act, the Master Deed, and these By-Laws shall be exercised exclusively by the Board, its agents, contractors or employees, subject only to approval by unit owners when such is specifically required. Such powers and duties of the Board shall include but shall not be limited to the following, subject, however, to the provisions of the Master Deed and these By-Laws:

- A. To make and collect assessments against members to defray costs and expenses of the Regime.
- B. To use the proceeds of assessments in the exercise of the powers and duties.
- C. The maintenance, repair, or replacement in operation of the Regime.
- D. The purchases of insurance on the condominium property and insurance for the protection of the Association and its members.
- E. The reconstruction of improvements after casualty and the further improvement of the property.
- F. To make and amend reasonable regulations respecting the use of the property in the Regime in the manner provided for by the Master Deed.
- G. To enforce by legal means the provisions of the Horizontal Property Act, the Master Deed, the By-Laws, and the regulations for the use of the property in the Regime.
- H. To contract for the management of the Regime and delegate

to the contractor all powers and duties of the Association except such as are specifically required by the Master Deed to have approval of the Board or the membership of the Association.

I. To employ personnel to perform the services required for proper operation of the condominiums.

J. To foreclose any lien for unpaid assessments in the same manner as mortgages.

K. To terminate any contracts entered into by the Board prior to the passage of control from the Developer to the Owner's Association and said termination right is specifically vested in the Board and is exercisable without penalty at any time after transfer of contract upon not more than ninety (90) days notice to the other party thereto.

#### V. OFFICERS

A. The executive officer of the Association shall be a president, who shall be a director, a vice-president, who shall be a director, and a secretary-treasurer, who shall be a director, all of whom shall be elected annually by the Board and who may be peremptorily removed by vote of the directors at any meeting. Any person may hold two or more offices except that the President shall not be the Secretary-treasurer. The Board shall from time to time elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association.

B. The President shall be the Chief Executive Officer of the Association. He shall have all of the powers and duties which are usually vested in the office of president of an Association, including but not limited to the power to appoint committees from among the members from time to time, as he may at his discretion determine appropriate, to assist in the conduct of the affairs of the Association.

C. The Vice President shall in the absence or disability of the President exercise the powers and perform the duties of the President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be described by the directors.

D. The Secretary-Treasurer shall keep the minutes of all proceedings of the directors and the members. He shall attend to the giving and serving of all notices to the members and directors and other notices required by law. He shall keep the records of the Association, and shall perform all other duties instant to the office of a secretary of an Association and as may be required by the directors or the President, shall have custody of all property of the Association, including the funds, securities and evidences of indebtedness. He shall keep the books of the Association in accordance with good accounting practices; and he shall perform all



other duties instant with office of treasurer.

E. The compensation of all officers and employees of the Association shall be fixed by the directors. This provision shall not preclude the Board of Directors from employing a director as an employee of the Association nor preclude the contracting with director for the managing of the condominium.

#### VI. FISCAL MANAGEMENT

The provisions for fiscal management of the Association are set forth in the Master Deed.

#### VII. NON-LIABILITY & INDEMNITY OF DIRECTORS & OFFICERS

A. No director or officer of the Association shall be liable for acts, defaults, or neglects of any other director or officer or member for any loss sustained by the Association of any co-owner, unless the same shall have resulted from his own willful or negligent act or omission.

B. Every director, officer and agent of the Association shall be indemnified by the Association against all reasonable costs, expenses and liabilities (including counsel fees) actually and necessarily incurred by or imposed upon him in connection with or resulting from any claim, action, suit, procedure, investigation, or inquiry as to whatever nature in which he may be involved as a party or otherwise by reason of his being or having been a director, officer or agent of the Association whether or not he continues to be such director, officer or agent at the time of incurring or imposition of such cost, expenses, or liabilities, except in relation to matters as to which he shall be finally adjudged in such action, suit, proceeding, investigation, or inquiry to be liable for willful misconduct or neglect in the performance of his duties, in the absence of such final adjudication of the existence of such liability, the Association and each member thereof and officer or agent thereunder may conclusively rely on an opinion of legal counsel selected by the Association. The foregoing right of indemnification shall be in addition to and not in limitation of all other rights to which such person may be entitled as a matter of law, and such shall inure to the benefit of the legal representative of such person.

#### VIII. PARLIAMENTARY RULES

Roberts' Rules of Order, (latest edition) shall govern the conduct of the Association meetings when not in conflict with the Master Deed or these By-Laws.

#### IX. AMENDMENT

A. These By-Laws may be amended in the following manner:

- (1) Notice of the subject matter of a proposed amendment

shall be included in the notice of any meeting at which a proposed amendment is to be considered.

(2) A resolution for the adoption of the proposed amendment shall be presented to the meeting of the members.

(3) No amendment shall be attached to a Certificate approved by members representing two-thirds (2/3) of the total value of the property in the Regime as shown in the Master Deed.

B. The amendment shall be attached to a Certificate executed by the officers of the Association, certifying that the amendment was duly adopted and shall be recorded in the office of the Clerk of Court for Horry County, South Carolina.

#### X. INSURANCE

A. The Board of Directors shall obtain and maintain, to the extent available, at least the following insurance:

1. The Association shall insure all Apartments and all Common Elements against all hazards and risks normally covered by a standard hazard policy, including fire and lightning, the hazards and risks covered by "extended coverage", and vandalism and malicious mischief. All Apartments and all Common Elements shall be insured for the full replacement cost thereof (without deduction or allowance for depreciation), and the policy of insurance shall have a full replacement cost rider. Such insurance shall cover only the Apartments and the Common Elements. The hazard insurance obtained by the Association may provide that an amount not to exceed ten thousand dollars (\$10,000.00) shall be deductible from any indemnity payable on account of a single loss, but any such deductible portion shall be borne by the Association as a common expense regardless of the number of co-owners or Apartments directly affected by the loss. The hazard insurance obtained by the Association shall provide coverage for common expenses with respect to the Apartments and Common Elements during any period of repair or construction.

2. The Association shall also obtain premises liability insurance on all Apartments and Common elements and the Association providing for a single-limit indemnity of not less than one million dollars (\$1,000,000.00) and covering bodily and personal injury and property damage. Such liability insurance shall cover claims of one or more Co-Owners against one or more Co-Owners or the Association. The Association shall not be required, however, to obtain public liability insurance covering accidents occurring within the limits of an Apartment or off the Regime Property. If available at a reasonable cost, the Association shall cause to be included within the Policy of liability insurance premises medical payment coverage. The policy shall not be cancelled or reduced as to coverage limits without thirty (30) days prior written notice to the Board of Directors and to every holder of a security interest in any Apartment who is named in the policy or an

endorsement thereto.

3. The Association shall also obtain and maintain workmen's compensation insurance to the extent necessary to comply with any applicable law.

4. The Association shall also obtain and maintain such other policies of insurance, including insurance for other risks of a similar or dissimilar nature, as are or shall hereafter be considered appropriate by the Board of Directors.

B. Any insurance obtained pursuant to the requirements of this article shall be subject to the following provisions:

1. All insurance obtained on the Apartments and General Common Elements by the Association shall be written in the name of the Association as trustee for the owners, and the cost of such insurance shall be a Common Expense. All such insurance shall be obtained from a company or companies licensed to do business in the State of South Carolina (South Carolina admitted carriers) and rated "B+" or better and classified "8" or better by the most recent issue of Best's Insurance Reports. No such insurance shall be permitted to expire except upon resolution of a majority of the Co-owners to that effect. Duplicate originals or copies of all policies of hazard insurance obtained on the Regime by the Board of Directors, together with proof of payment of the premiums thereon, shall be delivered upon request to any Co-owner or any entity holding a lien upon or security interest in any Apartment.

C. All policies of hazard insurance on the Apartments and the Common Elements obtained by the Board of Directors shall provide as follows:

1. The indemnity payable on account of any damage to or destruction of the Apartments or the Common Elements shall be payable to any mortgagees holding mortgages on any damaged Apartments as their interests may appear;

2. The policy shall not be cancelled or reduced as to coverage limits without thirty (30) days' prior written notice to the Board of Directors and to every holder of a security interest in any Apartment who is named in the policy or an endorsement thereto;

3. No Co-owner shall be prohibited from insuring his own Apartment for his own benefit;

4. No insurance obtained by a co-owner on his own Apartment shall be brought into contribution with the insurance obtained by the Board of Directors;

5. If the Board of Directors determines that it is possible to obtain such a provision, no right of subrogation shall exist against any Owner or members of his household or his social

guests;

6. The insurer shall not be entitled to reconstruct in lieu of paying the indemnity in cash if the Owners determine in the manner provided in the Master Deed or by applicable law not to repair or restore the damaged property; and

7. The policy shall not be cancelled on account of the actions of one or more, but fewer than a majority, of the Co-owners.

If a policy of insurance containing all of the foregoing provisions cannot be obtained at a reasonable cost, one or more of such provisions (except provisions 1 and 2 above may be waived by unanimous resolution of the Board of Directors preceded by ten (10) days' notice to every Co-Owner or by resolution of a majority of the Co-Owners.

D. The Board of Directors of the Association shall have exclusive authority to negotiate and settle on behalf of the Owners all claims arising under policies of hazard insurance obtained on the Property by the Board of Directors. In the event of damage to or destruction of any portion of the Apartments or the Common Elements, the Board of Directors shall promptly file claim for any indemnity due under any such policies. The Board of Directors shall simultaneously notify the holders of any security interests in the Property who may be entitled to participate in such claim of the filing of the same.

E. The net proceeds received by or due to the Board of Directors from any indemnity paid under a policy of hazard insurance obtained on the Property by the Board of Directors shall promptly be paid by the Board of Directors or the appropriate insurer to an Insurance Trustee as trustee for the Co-owners or the appropriate insured as hereinafter provided. The Insurance Trustee shall be a state or federally chartered bank selected by the Board of Directors and having trust powers and capital and surplus of five million dollars (\$5,000,000.00) or more. The Insurance Trustee shall hold the insurance proceeds in trust and disburse said proceeds, after deduction of all reasonable fees and expenses of the Insurance Trustee, as follows:

1. If the Co-Owners determine in the manner provided in the Master Deed or by applicable law not to reconstruct the damaged property, the Insurance Trustee shall distribute the insurance proceeds among all the Owners and/or mortgagees with liens upon the Apartment, as their respective interests may appear, in proportion to their respective undivided interests in the portion or portions of the property damaged or destroyed.

2. If the Board of Directors is required to provide for the reconstruction of the damaged property, the Insurance Trustee shall disburse the insurance proceeds to the person or persons employed by the Board of Directors to effect such reconstruction in



accordance with written authorizations submitted to the Insurance Trustee by the architect supervising the reconstruction or by the Board of Directors. Any portion of the insurance proceeds remaining after all the costs of reconstructing the Property have been paid shall be disbursed to the Co-Owners and their respective mortgagees in proportion to their interests in the portion or portions of the Property repaired or restored. In making disbursements of the insurance proceeds, the Insurance Trustee shall be entitled to rely without further inquiry upon the written authorizations submitted as provided above or upon any written certification of facts submitted to the Insurance Trustee by the Board of Directors as hereinafter provided. The Insurance Trustee shall in no event be responsible for obtaining insurance on the Property, paying the premiums on any such insurance or filing claims for any payments due under any such insurance.

F. Each Co-Owner shall be responsible for obtaining such amounts of the following types of insurance as he deems necessary or desirable:

1. Hazard Insurance on his Apartment for his own benefit;
2. Hazard Insurance on the contents of his Apartment and on improvements made to his Apartment; and
3. Liability insurance covering accidents occurring within the boundaries of his Apartment.

Any Co-owner who obtains hazard insurance on his Apartment for his own benefit shall within thirty (30) days of obtaining the same deliver to the Board of Directors a copy of the policy of insurance.

G. Where the insurance proceeds are insufficient to cover the cost of reconstruction, the rebuilding costs shall be paid by all the Co-Owners directly affected by the damage, in proportion to the value of their respective Apartments, or as may be provided in the By-Laws; and if any one or more of those Co-Owners owning a minority of Apartments in the Regime directly affected by the damage shall refuse to make such payments, the majority of such Co-Owners directly affected by such damage may proceed with the reconstruction at the expense of all the Co-Owners benefitted thereby, upon proper resolution setting forth the circumstances of the case and the cost of the works, with the intervention of the Association.

#### XI: ASSESSMENTS: LIABILITY, LIEN AND ENFORCEMENT

The Association is given the authority to administer the operation and management of the Regime, it being recognized that the delegation of such duties to one entity is in the best interests of the Co-Owners of all Apartments. To properly administer the operation and management of the project, the Association will incur, for the mutual benefit of all of the Co-

Owners of apartments, costs and expenses which will be continuing or non-recurring costs, as the case may be, which costs and expenses are sometimes herein referred to as "common expense". To provide the funds necessary for such proper operation and management, the said Association has heretofore been granted the right to make, levy and collect assessments against the Co-Owners of Apartments. In furtherance of said grant of authority to Association to make, levy and collect assessments to pay the costs and expenses for the operation and management of the Regime, the following provisions shall be operative and binding upon the Co-Owners of all apartments, to wit:

a) All assessments levied against the Co-Owners of Apartments and said apartments shall, unless specifically otherwise provided for in these By-Laws, be in the same proportion to the total assessment made against all Co-Owners of Apartments and their Apartment as the undivided interest in the Common Elements appurtenant to each Apartment bears to the total undivided interest in the Regime. Should the Association be the Co-Owner of any apartment or Apartments, the assessment which would otherwise be payable to Association by the Co-Owner of such Apartment or apartments, reduced by the Apartment or Apartments of the Association, shall be apportioned and assessment therefore levied ratably among the Co-Owners of all Apartments which are not owned by the Association, based upon their proportionate interests in the Common Elements exclusive of interests therein appurtenant to any Apartment or Apartments owned by Association.

b) The Board of Directors of the Association shall establish an annual budget in advance for each fiscal year which shall correspond to the calendar year, and such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Regime, including a reasonable allowance for contingencies and reserves, such budget to take into account projected anticipated income which is to be applied in reduction of the amount required to be collected as Directors of Association, copies of said Budget shall be delivered to each Co-Owner of an Apartment and the assessment for said year shall be established based upon such budget, although the delivery of a copy of said budget to each Co-Owner shall not affect the liability of any Co-Owner for such assessment. Should the Board of Directors at any time determine, in the sole discretion of said Board of Directors, that the assessments levied are or may prove to be insufficient to pay the costs of operation and management of the Regime, or in the event of emergencies, said Board of Directors shall have the authority to levy such additional assessment or assessments as it shall deem to be necessary.

c) The Board of Directors of the Association, in establishing said annual budget for operation, management and maintenance of the project shall include therein a sum to be collected and maintained as reserve fund for replacement of Common Elements, which reserve fund shall be for the purpose of enabling the Association to replace structural elements and mechanical

equipment constituting a part of the Common Elements as well as the replacement of personal property which may constitute a portion of the Common Elements held for the joint use and benefit of all of the Co-Owners of all Apartments. The amount to be allocated to such reserve fund for replacements shall be established by said Board of Directors so as to accrue and maintain at all times a sum reasonably necessary to anticipate the need for replacements of said Common Elements. The amount collected and allocated to the reserve fund for replacements from time to time shall be maintained in a separate account by Association, although nothing herein contained shall limit Association from applying any monies in such reserve fund for replacements to meet other needs or requirements of Association in operating or managing the project in the event of emergencies, or in the event the sums collected from the Co-Owners of Apartments are insufficient to meet the fiscal financial requirements of Association, but it shall not be a requirement that these monies be used for such latter purposes, as a separate assessment may be levied therefor if deemed to be preferable by the Board of Directors of the Association in the sole discretion of said Board of Directors.

d) The Board of Directors of the Association, in establishing said annual budget for operation, management and maintenance of the project, shall include therein a sum to be collected and maintained as a general operating reserve which shall be used to provide a measure of financial stability during periods of special stress when such sums may be used to meet deficiencies from time to time existing as result of delinquent payment of assessments by Co-Owners of Apartments, as a result of emergencies or for other reason placing financial stress upon the Association.

e) Except as to special assessments, all monies collected by the Association shall be treated as the separate property of the Association, and such monies may be applied by the said Association, or to the proper undertaking of all acts and duties imposed upon it by virtue of these By-Laws and the Master Deed and as the monies for any assessment are paid unto the Association by the other Co-Owner of an Apartment the same may be commingled with the monies paid to the Association by the other Co-Owners of Apartments. Although all funds and other assets of the Association, and any increments thereto or profits derived therefrom, or from the leasing or use of General Common Elements, which shall be held for the benefit of the members of the Association, who shall own any common surplus in the proportions of their percentage of undivided interest in the Regime, no member of the Association shall have the right to assign, hypothecated, pledge or in any manner transfer this membership interest therein, except as an appurtenance to his Apartment.

f) The payment of any assessment or installment thereof due to the Association shall be in default if such assessment, or any installment thereof, is not paid unto Association, on or before the due dates for such payment. When in default, the Board of Directors may accelerate the remaining installments of any annual

assessment upon notice thereof to the Apartment Co-Owner, whereupon the entire unpaid balance of the annual assessment shall become due upon the date stated in the notice, which shall not be less than ten (10) days after the date of notice. In the event any assessment, installment, due date, the Association, through its Board of Directors, may proceed to enforce and collect the said assessments against the Apartment Co-Owner owing the same in any manner provided for by the Act, including the right of foreclosures and sale. When in default, the delinquent interest or delinquent installment thereof due to Association shall bear interest at a rate equal to the lesser of (a) eighteen (18%) per annum or (b) the maximum rate permitted by applicable law, until such delinquent assessment or installment thereof, and all interest due thereon, has been paid to Association.

g) The Co-Owner or Co-Owners of each Apartment shall be personally liable to Association for the payment of all assessments, regular or special, which may be levied by Association while such party or parties are Co-Owner or Co-Owners of an Apartment in the Regime. In the event that any Co-Owner or Co-Owners are in default in payment therefor owed to the Association, such Co-Owner or Co-Owners of any Apartment shall be personally liable for interest on such delinquent assessment or installment thereof owed to the Association, such Co-Owner or Co-Owners of any Apartment shall be personally liable for interest on such delinquent assessment or assessments or installment thereof and interest thereon, including a reasonable attorney's fee, whether suit be brought or not.

h) No Co-Owner of an Apartment may be exempt from liability for any assessment levied against such Co-Owner and his Apartment by waiver of the use or enjoyment of any of the General Common Elements, or by abandonment of the Apartment, or in any other manner.

i) Recognizing that the necessity for providing proper operation and management of the project entails the continuing payment of costs and expenses therefor, which results in benefit to all of the Co-Owners of Apartment, and that the payment of such common expense represented by the Assessments levied and collected by Association is necessary in order to preserve and protect the investment of the Co-Owner of each Apartment, Association is hereby granted a lien upon such Apartment and its appurtenant undivided interest in the Common Elements, which lien shall secure and does secure the monies due for all assessments now or hereafter levied against the Co-Owner of each Apartment, which lien shall also secure all costs and expenses, including a reasonable attorney's fee, which may be incurred by the Association may be foreclosed in the same manner as mortgages may be foreclosed in the State of South Carolina, and in any suit for the foreclosure of said lien, the Association shall be entitled to rental from the Co-Owner of any Apartment from the date on which the payment of any assessment or installment thereof became delinquent and shall be entitled to the appointment of a receiver for said apartment. The rental



required to be paid shall be equal to the rental charged on comparable types of Apartments in North Myrtle Beach, South Carolina. The lien granted to the Association shall further secure such advances for taxes, and payments on account of superior mortgages, liens, or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, and the Association shall further be entitled to interest at the rate provided in Subparagraph (f) above on any such advances made for such purpose.

j) The lien herein granted unto Association shall be effective from and after the time of recording in the public records of Horry County, South Carolina, a claim of lien stating the description of the Apartment encumbered thereby, the name of the record Co-Owner, the amount due and date when due, and the lien shall include only assessments which are due and payable when the claim of lien is recorded, plus interest, costs, attorney's fees, advances to pay taxes and prior encumbrances and interest thereon, all as above provided. Such claims of lien shall be signed, and verified by an officer, agent or attorney of the Association. Upon full payment of all sums secured by such claim of lien, the same shall be satisfied of record. The claim of lien filed by the Association shall be subordinate to the lien of any mortgage encumbering the Apartment.

In the event that any person, firm or corporation shall acquire title to any Apartment and its appurtenant undivided interest in the Common Elements by virtue of any foreclosure, judicial sale or deed in lieu of foreclosure, such person, firm or corporation so acquiring title shall only be liable and obligated for assessments as shall accrue and become due and payable for said apartment and its appurtenant undivided interest in the Common Elements subsequent to the date of acquisition of such title, and shall not be liable for the payment of any assessments which were in default and delinquent at the time it acquired such title subject to the lien of any assessment by Association representing an apportionment of taxes or special assessment levied by taxing authorities against the Regime in its entirety. In the event of the acquisition of title to an Apartment by foreclosure, judicial sale or deed in lieu of foreclosure, any assessment or assessments as to which the party so acquiring title shall not be liable shall be absorbed and paid by all Co-Owners of all Apartments as a part of the common expense, although nothing herein contained shall be construed as releasing the party liable for such delinquent assessment from the payment thereof or as preventing the enforcement of collection of such payment by means other than foreclosure.

k) Whenever any Apartment may be sold by the Co-Owner thereof, which sale shall be concluded only upon compliance with other provisions of these By-Laws, the Association upon written request of the Co-Owner of such Apartment shall furnish to the proposed purchaser a statement verifying the status of payment of any assessment which shall be due and payable to Association by the

Co-Owner of such Apartment. Such statement shall be executed by an officer of the Association and any purchaser may rely upon such statement in concluding the proposed purchase transaction, and Association shall be bound by such statement. Any holder of any mortgage on any Apartment shall have the right at all reasonable times and frequency to inquire as to the past due status of any assessment payments, and the Association shall, upon request, promptly notify any such mortgagee when any Assessment payment becomes more than sixty (60) days past due, or when any default in the performance of any obligation required by the Master Deed or these By-Laws as to such Apartment is not cured within sixty (60) days.

In the event that an Apartment is to be sold at the time when payment of any assessment against the Co-Owner of said Apartment and such Apartment due to Association shall be in default (whether or not a claim of lien has been recorded by the Association) then the proceeds of such purchase shall, after payment of those sums given priority by S.C. Code Ann. Section 27-31-200 (1976) be applied by the Purchaser first to payment of any then delinquent assessment or installment thereof due to Association before the payment of any proceeds of purchase to the Co-Owner of any Apartment who is responsible for payment of such delinquent assessment.

In any voluntary conveyance of an Apartment (other than a deed in lieu of foreclosure as set forth above), the Grantee shall be jointly and severally liable with the Grantor for all unpaid assessments against Grantor made prior to the time of such voluntary conveyance, without prejudice to the rights of the Grantee to recover from the Grantor the amounts paid by the Grantee therefor.

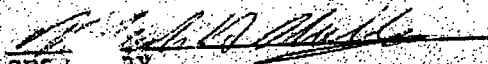
Institution of a suit at law to attempt to effect collection of the payment of any delinquent assessment shall not be deemed to be an election by Association which shall prevent its thereafter seeking enforcement of the collection of any sums remaining owing to it by foreclosure, nor shall proceeding by foreclosure to attempt to effect such collection be deemed to be an election precluding the institution of suit at law to attempt to effect collection of any sums then remaining owing to it.

Notwithstanding anything in the By-Laws to the contrary, it is declared that until December 31, 1993, each Apartment shall be exempt from the assessment created herein until such time as the Apartment is conveyed by the Developer to a Grantee owner. Except as expressly provided herein, no Apartment and its appurtenances or percentage interest shall be exempt from said assessment. The actual operating expenditures for this purpose shall also include any reserve for replacements or operating repairs. Commencing January 1, 1994, the Developer shall be subject to assessments as provided in these By-Laws so that it will pay assessments on the same basis provided for under these By-Laws as the same are paid by Apartment Co-Owners.

XII. DEFINITIONS

All terms defined in the Master Deed shall have the same meaning in this By-Laws as in the Master Deed.

In the event of any conflicts between the provisions of the Master Deed or the Horizontal Property Act and the provisions of these By-Laws, the provisions of the Master Deed or the Act shall control.

  
SECRETARY

November 29, 1992  
Date