

APPENDIX "A"

BY-LAWS

OF

CAMBRIDGE OF GARDEN CITY II HORIZONTAL PROPERTY REGIME

I.

IDENTITY

These are By-Laws of CAMBRIDGE OF GARDEN CITY II HOMEOWNER'S ASSOCIATION, INC. An eleemosynary corporation organized and existing under the laws of the South Carolina (hereinafter called "the Association"), which has been organized for the purpose of administering CAMBRIDGE OF GARDEN CITY II, a horizontal property regime established pursuant to S.C. Code Ann., Section 27-31-10 et seq. (1976), as amended (hereinafter called "the Regime"). The Regime is identified by the name CAMBRIDGE OF GARDEN CITY II HORIZONTAL PROPERTY REGIME, and is located upon the real property in Horry County, South Carolina, described in Exhibit "A" attached hereto and made a part hereof by reference.

1. The provisions of these By-Laws are applicable to the Regime, and the terms and provisions hereof are expressly subject to the effect of the terms, provisions, conditions, and authorizations contained in the Charter and Articles of Incorporation of the Association and in the Master Deed which has been recorded in the public records of Horry County, South Carolina, at the time portions of said property and improvements now or hereafter thereon were submitted to the plan of condominium ownership. The terms and provisions of said Charter, Articles of Incorporation and Master Deed shall be controlling wherever the same may be in conflict with these By-laws.

2. All present or future co-owners, tenants, future tenants, or their employees, or any other person that might use the Regime or any of the facilities thereof in any manner, are subject to the regulations set forth in these By-Laws and in said Charter, Articles of Incorporation and Master Deed (and any amendments thereto).

3. The office of the Association shall be at _____, South Carolina, or such other place as the Board of Directors of the Association may designate from time to time.

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

5. The seal of the Association shall bear the name of the Association and the word "South Carolina".

6. There shall be no dividend or profits paid to any members nor shall any part of the income of the Associations be distributed to its Board of Directors or officers. In the event there are any excess receipts over disbursements as a result of performing services, such excess shall be applied against future expenses, etc. The Association may pay compensation in a reasonable amount to its members, directors or officers for services rendered, may confer benefits upon its members in conformity with its purpose and may make such payments to any management firm as is mutually agreed upon between the Association and the management firm for the performances of duties and services by the management firm. Upon final dissolution of the liquidation, the Association may make distribution to its members as is permitted by the Court having jurisdiction thereof, and no such payment, benefit or distribution shall be deemed to be a dividend or distribution of income.

This Association shall issue no shares of stock of any kind or nature whatsoever. Membership in the Association and the transfer thereof as well as the number of members shall be upon such terms and conditions as provided in the Master Deed of the Regime and the By-laws of the Association and the voting rights of the owners of interests in said Regime and/or the By-Laws of the Association.

II.

MEMBERSHIP, VOTING, QUORUM, PROXIES

A. The qualification of members, the manner of their admission to membership and termination of such membership, and voting by members, shall be as set forth in Article V of the Declaration for Incorporation of the Association, the provisions of which said Article V of the Declaration for Incorporation are incorporated herein by reference.

B. The quorum at members' meetings shall consist of persons entitled to cast a majority (51% of the value of the property) of the votes of the entire membership. The joinder of a member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum.

C. The vote of the co-owners of an Unit owned by more than one person or by a corporation or other entity shall be cast by the person named in a certificate signed by all of the co-owners of the Unit and filed with the Secretary of the Association, and such certificate shall be valid until revoked by subsequent certificate. If such a certificate is not on file, the vote of such co-owners shall not be considered in determining the requirement for a quorum, nor for any other purpose.

D. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of the meeting for which their names is sought.

E. Approval of disapproval of an Unit co-owner upon any matters, whether or not the subject of an Association meeting, shall be by the same person who casts the vote of such co-owner if in an Association meeting.

F. Except where otherwise required under the provisions of the Charter or Declaration for Incorporation of the Association, these By-Laws, the Master Deed, or where the same may otherwise be required by law, the affirmative vote of the co-owners of a majority of the Units represented at any duly called members' meeting at which a quorum is present shall be binding upon the members.

III.

ANNUAL AND SPECIAL MEETINGS OF MEMBERSHIP

A. The annual members' meeting shall be held at the office of the Association or such other place as may be designated by the Board of Directors, at 10:00 A.M., Eastern Standard Time, on the first Monday of August of 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 and business day of the next succeeding week. The first annual meeting shall be held in 2006.

B. Special members' meetings shall be held whenever called by the President or 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 the members of the Association owning a majority of the Units.

C. Notice of all members' meetings, regular or special, shall be given by the President, Vice-President or Secretary of the Association, or other officers of the Association in the absence of said officers, to each member, unless waived in writing, such notice to be written or printed and to state the time and place and object for which the meeting is called. Such votes shall be given to each member not less than ten (10) days nor more than sixty (60) days prior to the date set for such meeting, which notice shall be mailed or presented personally to each member within said time. If presented personally, receipt of such notice was received by him. If mailed, such notice shall be deemed properly given when deposited in the United States mail addressed to the member at his post office address as it appears on the records of the Association, the postage thereon prepaid. Proof of such mailing shall be given by the affidavit of the person giving the notice. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, whether before or after the holding of the meeting, shall be deemed equivalent to the giving of such notice to such member. If any members' meeting cannot be organized because a quorum has not been attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended, wherever the letter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or the Master Deed, the members who are

present, either in person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present.

D. At meetings of membership, the President shall preside or, in the absence of him, the membership present shall select a chairman.

E. The order of business at annual members' meetings, as far as practical, at any other members' meeting, shall be:

1. Calling of the roll and certifying proxies;
2. Proof of notice of meeting or waiver of notice;
3. Reading of the minutes;
4. Reports of officers;
5. Reports of committees;
6. Appointment by chairman of inspectors of election;
7. Election of directors;
8. Unfinished business;
9. New business;
10. Adjournment.

IV.

BOARD OF DIRECTORS

A. The first Board of Directors of the association shall consist of Two (2) persons; succeeding Board of Directors, shall consists of Three (3) persons. At least a majority of the Board of Directors shall be members of the Association, or shall be the authorized representatives, officers, or employees of a corporate member of the Association. So long as Cambridge of Garden City II, hereinafter referred to as the "Developer", is owner or the co-owner of Two (2) or more Units Regime, the Developer shall have the right to designate and select all of the persons who shall serve as members of each Board of Directors of the Association. The power of the Developer to designate directors as above referred to shall terminate on July 31, 2006. The Developer has heretofore (in the Declaration for Incorporation of he Association) designated the initial Board of Directors and Officers of the Association.

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

1. The Developer, as Sponsor of the Regime, shall, at the beginning of the election of the Board of Directors, designate and select that number of the members if 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 the Developer by written instrument presented to the meeting at which such election is held, said

individuals so designated and selected by the 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 the Developer shall not be entitled to designate and select under the terms and provisions of these By-Laws, shall be selected by a plurality of the votes cast at the annual meeting of the members of the Association immediately following the designation and election of the members of the Board of Directors whom the Developer shall be entitled to designate and select.

3. Vacancies in the Board of Directors may be fulfilled 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 the 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 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, the term of office of the director 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 (1) year. Thereafter, as many directors of the Association shall be elected at the annual meeting as there are regular terms of office and directors expiring at such time, and the term of the 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 or as may be provided by law for the removal of directors of South Carolina corporations.

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 Unit); provided, however, that no member or co-owner of any Unit 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 the 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 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 the 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 designated as successor or successors to the person or 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 the Developer to any officer of the Association.

C. The organizational meeting of newly elected Board of Directors shall be held within ten (10) days of its election, at such time and at such place as shall be fixed by the directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary provided a quorum shall be present.

D. 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. Notice of regular meetings shall be given to each director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meeting, unless notice is waived.

E. Special meetings of the directors may be called by the President, and must be called by the Secretary at the written request of one-third (1/3) of the votes of the Board. Not less than three (3) days notice of a meeting shall be given to each director, personally, or by mail, telephone or telegram, which notice shall state the time, place and purpose of the meeting.

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

G. A quorum at a directors' meeting shall consist of the directors entitled to cast a majority of the votes of the entire Board. The act of the Board approved by a majority of the votes of the entire Board. The act of the Board approved by a majority of the votes present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors except as specifically otherwise provided in the Articles of Incorporation, these By-Laws or the Master Deed. If any directors' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the directors required to constitute a quorum for particular purposes has not attended, wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or the Master Deed, the directors who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance if greater than 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. The joinder of a director in the action of a meeting by signing and

concurring the minutes thereof shall constitute the presence of such director for the purpose of determining a quorum.

H. The presiding officer of directors' meetings shall be the President. In the absence of the President, the directors' meetings shall be the President. In the absence of the President, the directors present shall designate one of their number to preside.

I. Directors' fees, if any, shall be determined by the members.

J. The Board of Directors shall manage and direct the affairs of the Association and subject to any restrictions imposed by law, by the Master Deed, or these By-Laws, may exercise all of the powers of the Association subject only to approval by the co-owners when such is specifically required of these By-laws. The Board of Directors shall exercise such duties and responsibilities as shall be incumbent upon it by law, the Master Deed or these By-Laws, if it may deem necessary or appropriate in the exercise of its powers and shall include, without limiting the generally of the foregoing, the following:

1. To make, levy and collect assessments against members and members' Unit to defray the cost of the common areas and facilities of the Regime, and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association.
2. To carry out the maintenance, care, upkeep, repair, replacement, operation, surveillance and the management of the general and limited elements, services and facilities of the Regime wherever the same is required to be done and accomplished by the Association for the benefit of its members;
3. To carry out the reconstruction of improvements after casualty and the further improvement of the property, real and personal;
4. To make and amend regulations governing the use of the property, real and personal, in the Regime so long as such regulations or amendments thereto do not conflict with the restrictions and limitations which may be placed upon the use of such property under the terms of the Master Deed;
5. To acquire, operate, lease, manage and otherwise trade and deal with property, real and personal, including Units in the Regime, as may be necessary or convenient in the operation and management of the Regime, and in accomplishing the purposes set forth in the Master Deed; provided however, that any agreement for professional management of the Regime or any other contract providing for services of the Developer, may not exceed three (3) years. Any such agreement must provide for termination by either party without cause

and without payment of a termination fee on ninety (90) days or less written notice;

6. Subject to the provisions of subparagraph (5) above, to contract for the management of the common areas and facilities in the Regime and to designate to such contractor all of the powers and duties of the Association, except those which may be required by the Master Deed to have approval of the Board of Directors or membership of the Association;
7. To enforce by legal means the provisions of the Articles of Incorporation and By-Laws of the Association, the Master Deed and the regulations hereinafter promulgated governing use of the property in the Regime;
8. To pay all taxes and assessments which are liens against any party of the Regime other than Units and the appurtenances thereto, and to assess the same against the members and their respective Units subject to such liens;
9. To carry insurance for the protection of the Regime, the members of the Association against casualty, liability and other risks;
10. To pay all costs of power, water, sewer and other utility services rendered to the condominium and not billed to the owners of the separate Units; and
11. To employ personnel for reasonable compensation to perform the services required for proper administration of the purposes of the Association, as well as to dismiss said personnel.

K. The first Board of Directors of the Association shall be comprised of the two (2) persons designated to act and serve as directors in the Declaration for Incorporation, which said persons shall serve until their successors are elected at the first meeting of the members of the Association called after the property identified herein has been submitted and the plan of condominium ownership and the Master Deed have been recorded in the public records of Horry County, South Carolina. Should any member of said Board of Directors be unable to serve for any reason, a majority of the remaining members of the Board of Directors 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.

L. The undertakings and contracts authorized by said first Board of Directors 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, and as long as any undertakings and contracts within the scope of powers and duties which may be exercised by the Board of Directors of the Association are in accordance with all applicable Regime documents.

M. Directors may be removed from office in the manner provided by law for the removal of directors of South Carolina corporations for profit.

V.

ADDITIONAL PROVISIONS ABOUT
MEETINGS OF MEMBERS AND DIRECTORS

A. Notwithstanding anything contained in these By-Laws to the contrary any meeting of members or directors may be held at any place with or without the State of South Carolina of which notice is waived by any person otherwise entitled thereto at, during, or after such meeting.

B. To the extent now or from time to time hereafter permitted by the law of South Carolina the directors may take any action which they might take at a meeting of directors without a meeting, a record of any such action so taken, signed by each director, to be retained in the Association's minute book and given equal dignity by all persons to the minutes duly called and held.

C. Officers.

1. The executive officers of the Association shall be a President, who shall be a director, a Treasurer and a Secretary, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by vote of directors at any meeting. No person may hold two (2) or more offices. The Board of Directors 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.
2. The President shall be the chief executive officer of the Association. He shall have all the powers and duties which are usually vested in the office of the 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 in his discretion determine appropriate, to assist in the conduct of the affairs of the Association.
3. Any Vice-President shall, in the absence or disability of the President, exercise the powers and perform the duties of President. He shall also generally assist the President and exercise such other

powers and perform such other duties as shall be prescribed by the directors.

4. The Secretary shall keep the minutes of all proceedings of the directors and the members. He shall attend to the giving and serving of notices to the members and directors, and such other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an association and as may be required by the directors or President. The assistant Secretary shall perform all duties of Secretary when the Secretary is absent.
5. The Treasurer shall have custody of all of the property of the Association, including funds, securities and evidences of indebtedness. He shall keep the assessment rolls and accounts of members; he shall keep the books of the Association in accordance with good accounting practices; and he shall perform all other duties incident to the office of Treasurer.
6. 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, not preclude the contracting with a director from management of the Regime.

VI.

FISCAL MANAGEMENT

The provision for fiscal management of the Association set forth in the Master Deed and Articles of Incorporation shall be supplemented by the following provisions:

1. The assessment roll shall be maintained in a set of accounting books in which there shall be and account for each Unit. Such an account shall designate the name and address of the co-owner or co-owners, the amount of each assessment against the co-owners, the dates and amounts in which assessments come due, the amounts paid upon the account and the balance due upon assessments.

2. The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the cost of performing the function of the Association, including, but not limited to, the following items:

- (a) Common expense budget, which shall include without limiting the generality of the foregoing, the estimated amounts necessary for maintenance and operation of General Common Elements, landscaping, streets and walkways, office expense, utility services, casualty insurance, liability insurance, administration and reserves (operating and replacement); and
- (b) Proposed assessments against each member. Copies of the proposed budget and proposed assessments shall be transmitted to each member on or before January 1st of the year for which the budget is made. If the budget is subsequently amended before the assessments are made, a copy of the amended budget shall be furnished each member concerned. Delivery of a copy of any budget or amended budget to each member shall not affect the liability of any member for any such assessment, nor shall delivery of a copy of such budget or amended budget be considered as a condition precedent to the effectiveness of said budget and assessments levied pursuant thereto, and nothing herein contained shall be construed as restricting the right of the Board of Directors to at any time in their sole discretion levy an additional assessment in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management, or in the event of emergencies.

3. The Board of Directors shall determine the method of payment of such assessments and the due dates thereof and shall notify the members thereof. The assessments will initially be on a monthly basis unless changed by a vote the majority of the Board of Directors.

4. The depository of the Association shall be such bank or banks as shall be designated from time to time by the directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such persons as are authorized by the directors.

5. An audit of the accounts of the Association shall be made annually and a copy of the report shall be furnished to each member not later than April 1st of the year following the year for which the report is made.

6. Fidelity bonds may be required by the Board of Directors from all officers and employees of the Association and from any contractor handling or responsible for Association funds. The amount of such bonds shall be determined by the directors, but shall be at least the amount of the total annual assessments against members for common expense.

VII.

PARLIMENTARY RULES

Roberts Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with the Articles of Incorporation and these By-Laws or with the statues of the State of South Carolina.

VIII.

AMENDMENTS TO BY-LAWS

Amendments to these By-Laws shall be proposed and adopted in the following manner:

1. Amendments to these By-Laws may be proposed by the Board of Directors of the Association acting upon vote of the majority of the directors, or by members of the Association owning a majority of the total value of the property in the Regime, whether meeting as members or by instrument in writing signed by time.
2. Upon any amendment or amendments to these By-Laws being proposed by said Board of Directors or members, such proposed amendment or amendments shall be transmitted to the President of the Association, or other officer of the Association in absence of the President, who shall thereupon call a special joint meeting of the members of the Board of Directors of the Association and the membership for a date not sooner than twenty (20) days or later than sixty (60) days from receipt by such offices of the proposed amendment or amendments, and it shall be the duty of the Secretary to give to each member written or printed notice of such meeting in the same form and in the same manner as notice of the call of special meeting of the members if required as herein set forth.
3. In order for such amendment or amendments to become effective, the same must be approved by an affirmative vote of the members owning not less than fifty-one (51%) percent of the total value of the property in the Regime. Thereupon, such amendment or amendments to these By-Laws shall be transcribed, certified by the President and Secretary of the Association, and a copy thereof shall be recorded in the public records of Horry County, South Carolina, within ten (10) days from the date on which any amendment or amendments have been affirmatively approved by the directors and members.
4. At any meeting held to consider such amendment or amendments to the By-Laws, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or

represent thereat by proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

5. Notwithstanding the foregoing provisions of this Article VIII, an amendment to these By-Laws which shall abridge, amend or alter the right of the Developer to designate and select members of each Board of Directors of the Association, as provided in Article IV hereof, may be adopted or become effective without the prior written consent of the Developer.

IX.

INSURANCE

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

1. Hazard Insurance. The Association shall insure all Units and all Common Elements against all hazards and risks normally covered by standard hazard policy, including fire and lightning, the hazards and risks covered by "extended coverage", and vandalism and malicious mischief. All Units 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 Units and the Common Elements. The hazard insurance obtained by the Association may provide that an amount not to exceed \$5,000.00 Dollars (including AOP) shall be deductible from any indemnity payable on amount of a single loss (or 3% for wind and hail damage, per building, per occurrence), but any such deductible portion shall be borne by the Association as a Common Expense regardless of the number of co-owners or Units directly affected by the loss. The hazard insurance obtained by the Association shall provide coverage for common expenses with respect to the Units and Common Elements during any period of repair or reconstruction.
2. Liability Insurance. The Association shall also obtain premises liability insurance on all Units and Common Elements and the Association providing for single-limit indemnity of not less than \$1,000,000.00 Dollars, and covering bodily and personal injury and property damage. The Association shall not be required, however, to obtain public liability insurance coverage accidents occurring within the limits of an Unit 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.
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. Limitations. Any insurance obtained pursuant to the requirements of this Article shall be subject to the following provisions:

1. General Provisions. All insurance obtained on the Units and General Common Elements by the Association shall be written in the name of the Association as trustees 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 "A+" or better and classified "10" 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 premium thereon, shall be delivered upon request to any co-owner or any entity holding a lien upon or security interest in any Unit.

2. Hazard Policy Provisions. All policies of hazard insurance on the Units and the common Elements obtained by the Board of Directors shall provide as follows:

- (a) 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 in any damaged Units as their interests may appear;
- (b) The policy shall not be cancelled or reduced without thirty (30) days' prior written notice to the Board of Directors and to every holder of a security interest in any Unit who is named in the policy or an endorsement thereto;
- (c) No co-owner shall be prohibited from insuring his own Unit for his own benefit;
- (d) No insurance obtained by a co-owner on his own Unit shall be brought into contribution with the insurance obtained by the Board of Directors;
- (e) If the Board of Directors determine 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;
- (f) 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 not to repair or restore the damaged property; and

- (g) 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 2 (a) and 2 (b) 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.

3. Claims. 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 Units 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.

4. Insurance Proceeds. 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 be paid by the Board of Directors of the appropriate insurer to an Insurance Trustee as trustee for the co-owners 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 (\$5,000,000.00) Dollars or more. The Insurance Trustee shall hold the insurance proceeds in trust and disburse said proceeds, after deduction of reasonable fees and expenses of the Insurance Trustee, as follows:

- (a) If the co-owners determine in the manner provided in the Master Deed 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 apartments, as their respective interests may appear, in proportion to their respective undivided interests in the portion or portions of the property damaged or destroyed.
- (b) 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 authorization 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 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 premium on any such insurance or filing claims for any payments due under any such insurance.

5. Insurance by Owners. Each co-owner shall be responsible for obtaining such amount of the following types of insurance as he deems necessary or desirable:

- (a) Hazard Insurance on his Unit for his own benefit;
- (b) Hazard Insurance on the contents of his Dwelling and on improvements made to his Unit; and
- (c) Liability Insurance covering accidents occurring within the boundaries of his apartment.

Any owner who obtains hazard insurance on his Unit 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.

6. 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 composing the minority shall refuse to make such payments, the majority may proceed with the reconstruction at the expense of all the co-owners benefited thereby, upon property resolution setting forth the circumstances of the case and the cost of the works, with the intervention of the Association.

X.

ASSESSMENTS: LIABILITY, LIEN AND ENFORCEMENT

The Association is given the authority to administer the operation and management of the Regime, its being recognized that the delegation of such duties to one entity is in the best interest of the co-owners of all Units. 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 Units, 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 expenses". 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 all Units and said Units. 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 Units, to-wit:

1. All assessments levied against the co-owners of Units and said Units shall, unless specifically otherwise provided for in these By-Laws, being the same proportion that the amount of assessment levied against each co-owner of an Unit and his Unit shall bear the same ratio to the total assessment made against his co-owners of Units and their Units as does the undivided interest in General Common Elements appurtenant to each Unit bear to the total undivided interest in association be the co-owner of any Unit or apartments, the assessment which would otherwise be payable to Association by the co-owner of such Unit or Units, reduced by the Unit or Units by the Association, shall be apportioned and assessment therefore levied ratably among the co-owners of all Units which are not owned by the Association, based upon their proportionate interests in the General Common Elements exclusive of interests therein appurtenant to any Unit of Units owned by Association

2. The assessment levied against the co-owner of each Unit and his Unit shall be payable in annual, quarterly or monthly installments, or in much other installments and at such times as may be determined by the Board of Directors of the Association.

3. The Board of Directors of the Association shall established 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 property operation, management and maintenance of the Regime, including reasonable allowance for contingencies and reserves, such budget to take into account projected anticipated income which is to be applied in reduction of this amount required to be collected as an assessment each year. Upon adoption of such annual budget by the Board of Directors of Association, copies of said budget shall be delivered to each co-owner of an Unit 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 of 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.

4. The Board of Directors of 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 General Common

Elements, which reserve funds shall be for the purpose of enabling the Association to replace structural elements and mechanical equipment constituting a part of the General Common Elements as well as the replacement of personal property which may constitute a portion of the General Common elements held for the joint use and benefit of all of the co-owners of all Units. 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 a need for replacements of said General Common Elements. The amount collected and allocated to the reserve fund for replacements from time to time shall maintained in a separate account by the Association, although nothing herein contained shall limit the Association from applying any monies in said reserve fund for replacements to meet other needs or requirements of the Association in operating or managing the project in the event of emergencies or in the event the sums collected from the co-owners of Units are insufficient to meet the than fiscal financial requirements of the Association, and it shall not be a requirement that these monies be used for such latter purposes, as a separate assessment may be levied therefore if deemed to be preferable by the Board of Directors of the Association in the rule discretion of said Board of Directors.

5. The Board of Directors of the Association, in establishing an 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 a result of delinquent payments of assessments by co-owners or Units, as a result of emergencies or for any other reason placing financial stress upon the Association.

6. Except as to special assessments, all monies collected by the Association shall be treated as separate property of the Association, and such monies may be applied by said Association to the payment of any expense of operating and managing the Regime, or to the proper undertaking of all acts and duties imposed upon by virtue of these By-Laws and Master Deed of said Association and as monies for any assessment are paid unto the Association by any co-owner of an Unit, the same may be commingled with the monies paid to the Association by the other co-owners of Units. Although all funds and other assets of the Association, and any increments thereto or profits derived therefrom, or from the leasing for use of General Common Elements, shall be held for the benefit of the members of the Association, who shall own a 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, hypothecate, pledge or in any manner transfer this membership interest therein, except as an appurtenance to his Unit.

7. The payment of any assessment or installment thereof due the Association shall be in default if such assessment, or any installment thereof, is not paid unto the Association, on or before the due dates for such payment. When in default; the Board of Directors may accelerate the remaining installments of the annual assessment upon notice thereof tot the Unit co-owner, whereupon the entire unpaid balance of the annual assessment will become due upon the date state in the notice, which shall not be less than

ten (10) days after the date of the notice. In the event any assessment installment, or accelerated assessments are not paid within twenty (20) days after their due date, the Association, through its Board of Directors, may proceed to enforce and collect the said assessments against the Unit co-owner owing the same in any manner provided for by the Act; including the right of foreclosure and sale. When in default, the delinquent assessment or installment thereof due to Association shall bear interest at the rate of eight (8%) percent per annum until such delinquent assessment or installment thereof, and all interest due thereon, has been paid to Association.

8. The co-owner or owners of each Unit 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 are in default in payment of any assessment or installment thereof owed to the Association, such co-owner or co-owners of any Unit shall be personally liable for interest on such delinquent assessment or installment thereof as above provided, and for all costs of collecting such assessment or installment thereof and interest thereon, including reasonable attorney's fee, whether suit be brought or not.

9. No co-owner of an Unit may exempt himself from liability for any assessment levied against such no-owner and his Unit by waiver of the use or enjoyment of any of the General Common Elements, or by abandonment of the Unit, or in any other manner.

10. Recognizing that the necessity for providing proper operation and management of the project entails the continuing payment of costs and expenses therefore, which results in benefit to all of the co-owners of Units, and that the payment of such common expense represented by such assessments levied and collected by Association is necessary in order to preserve and protect the investment of the co-owner of each Unit, Association is hereby granted a lien upon such Unit and its appurtenant undivided interest in General Common Elements, which lien shall secure the monies due for all assessments now or hereafter levied against the co-owner of each Unit, which lien shall also secure interest, if any, which may be due on the amount of any delinquent assessment owed to the Association, and which lien shall also secure all costs and expenses, including a reasonable attorney's fee, which may be incurred by the Association in enforcing this lien upon said Unit and its appurtenant undivided interest in the General Common Elements. The lien granted to 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 Unit from the date on which the payment of any assessment or installment therefore became delinquent and shall be entitled to the appointment of a receiver for said Unit. The rental required to be paid shall be equal to the rent charged on comparable type of Units in Horry County, South Carolina. The lien granted to the Association shall further secure such advance for taxes, and payments on account of superior mortgages, liens, and 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 of eight (8%) percent per annum on any such advances made for such purpose.

11. The lien herein granted unto the 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 Unit encumbered thereby, the name of the record co-owner, the amount due and the date when due, and the lien shall include only assessment 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 or agent 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 or any mortgage encumbering the Unit.

In the event that any person, firm or corporation shall acquire title to any Unit and its appurtenant undivided interest in General 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 Unit and its appurtenant undivided interest in General 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 taxed of special assessment levied by taxing authorities against the Regime in its entirety. In the event of the acquisition of title to an Unit 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 Units 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 the enforcement or collection of such payment by means other than foreclosure.

12. Whenever any Unit may be sold by the co-owner thereof, which sale shall be concluded only upon compliance with other provisions of the By-Laws shall be the purposed purchaser a statement verifying the status or payment or any assessment which shall be due and payable to Association by the co-owner of such Unit. 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 Unit shall have the right at all times and frequency to inquire as to the past due status of any assessment payments, and the Association shall, upon receipt, promptly notify any such mortgages 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 Unit is not cured within sixty (60) days.

In the event that an Unit is to sold at the time payment of any assessment against the co-owner of said Unit and such Unit 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. §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 proceed of purchase to the co-owner of any Unit who is responsible for payment of such delinquent assessment.

In any voluntary conveyance of an Unit (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 thereof.

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 elective 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 remaining owing to it.

Notwithstanding anything in these By-Laws to the contrary, it is declared that until July 15, 2006, each Unit shall be exempt from the assessment created herein until such time as the Unit is conveyed by the Developer to a Grantee owner, except as expressly provided herein, no Unit and its appurtenant percentage interest shall be exempt from said assessment. Moreover, until such time as an Unit is conveyed by the Developer to a Grantee, the Developer shall be assessed and pay to the Association in lieu of an assessment thereof a sum equal to the actual amount of actual operating expenditures assessed by the Association against co-owners of Units other than those owned by the Developer. The actual operating expenditures for this purpose shall also include any reserve for replacements or operating reserves. Commencing November 1, 2006, the Developer shall be subject to assessments as provided for in these By-Laws so that will pay assessments on the same basis provided for under these By-Laws as the same are paid by Unit co-owners.

At the closing of each unit sold in the regime, the purchaser shall be required to pay three times the monthly regime amount to the Association for the directors to place in a reserve fund to be used to offset any future reserve shortages. This amount shall be in addition to any monthly fees which are due hereunder.

XI.

DEFINITIONS

The definitions contained in S.C. Code Ann., Section 27-31-20 (1976), are hereby incorporated herein and made a part hereof by reference. All terms defined in the Master Deed shall have the same meaning in these By-Laws as in the Master Deed.

XII.

CONFLICTS

In the event of any conflict between the provisions of the Master Deed and the provisions of these By-Laws, the provisions of the Master Deed shall control.