

Exhibit "B"

BYLAWS

OF

RIVERWALK TOWNHOMES AT ARROWHEAD
PROPERTY OWNERS ASSOCIATION, INC.

**ARTICLE I
GENERAL PROVISIONS**

Section 1.1 Organization and Purpose. Riverwalk Townhomes at Arrowhead Property Owners Association, Inc. ("Association") is a South Carolina not-for-profit corporation formed and organized for such purposes and with such powers as are set forth in its Articles of Incorporation. Such purposes include the administration of properties within the development located in Horry County, South Carolina, known as Riverwalk Townhomes at Arrowhead ("Project"), in accordance with the Declaration of Covenants, Conditions, Restrictions and Easements for Riverwalk Townhomes at Arrowhead, in the Office of the Register of Deeds for Horry County, South Carolina, as may be amended from time to time ("Declaration"). These By-Laws provide for the management and operation of the Association.

Section 1.2 Principal Office. The principal office of the Association shall be located in Horry County, South Carolina. The Association may have such other offices, either within or outside of South Carolina, as the Board of Directors may determine or as the Association's affairs may require.

Section 1.3 Definitions. The words used in these By-Laws shall generally be given their normal, currently understood definitions. Capitalized terms used in these By-Laws shall be defined as set forth in the Declaration or as the context requires or specifies a different definition.

**ARTICLE II
INTEGRATED COMMUNITY**

The Project is planned to consist of individual townhome type Residences. The Declaration referenced above recognizes that the Project is intended and designed to provide as much flexibility and control over one's individual Residence as possible. Nonetheless, all Residences shall be subject to the Declaration and all Owners within the Project shall be members of the Association.

**ARTICLE III
MEMBERSHIP; MEETINGS OF MEMBERS**

Section 3.1 Members. The Association shall have two (2) classes of membership, Class "A" and Class "B" as more fully described in Article 9 of the Declaration. Each class of

Members shall have such rights and privileges as are specifically granted to such class under the Declaration. The provisions of the Declaration pertaining to membership in the Association are incorporated herein by reference.

Section 3.2 Voting Rights. The rights of Members to vote on matters arising before the Association shall be as specifically set forth in the Declaration, which voting right provisions are incorporated herein by reference. Except as otherwise specified by the Declarant in these By-Laws, the vote of Members entitled to cast more than fifty percent (50%) of a quorum of the total eligible votes on any matters shall constitute the decisions of the Members on such matter.

Section 3.3 Notice of Ownership Change. As set forth in Section 12.17 of the Declaration, in order to confirm membership, unless expressly waived in writing by the Board, or its authorized agent, any Owner desiring to sell or otherwise transfer title to such Owner's Residence shall give the Association at least seven (7) days prior written notice of the name and address of the proposed transferee, the proposed date of such transfer of title, and such other information as the Association may reasonably require. This provision shall not apply to Declarant, its successors and assignor, or any Owner of a Residence who purchases his Residence from the Declarant.

Section 3.4 Annual Meeting. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held either during the month of November or December of each year thereafter.

Section 3.5 Special Meeting. Special meetings of the Members may be called at any time by the President, the Board of Directors or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the Class "A" membership.

Section 3.6 Notice of Meetings. Written or printed notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or other person authorized to call the meeting, by (i) mailing a copy of such notice, postage prepaid, or (ii) facsimile, electronic mail or other electronic communication device, with confirmation of transmission. Notices sent by first class mail shall be deposited into a United States mailbox at least fifteen (15) days, but no more than sixty (60) days, before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Notices given by other device shall be delivered or transmitted at least seventy-two (72) hours before the time set for the meeting. All notices shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Notices of regular meetings of the Association, its Board of Directors, and committees, shall, at the Board's discretion, also be posted in the Association's official publication, if any, or conspicuously posted in any Common Area.

Section 3.7 Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, fifty (50%) percent of the votes of the Class "A" membership plus, for so long as the Class "B" membership exists, a representative of the Class "B" Member shall constitute a quorum for any action except as otherwise provided in the Declaration, Articles of

Incorporation, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the meeting shall be adjourned and another meeting shall be scheduled for a date not less than ten (10), nor more than thirty (30), days subsequent to the initial meeting. Written notice of the time and place of the adjourned meeting shall be provided to all Members. The quorum requirement for the adjourned meeting shall be the presence of Members, or of proxies, entitled to cast twenty-five percent (25%) of the total vote of the Class "A" membership and a representative of the Class "B" membership.

Section 3.8 Proxies. At all meetings of Members, each Member may vote in person or by proxy, subject to the limitations of South Carolina law and subject to any specific provisions to the contrary in the Declaration or these By-Laws. A designation of proxies shall be in writing, shall identify the Residence(s) for which it is given, and the person designated to cast the votes for such Residence(s) and shall be signed by the Member or its duly authorized attorney in fact, dated, and filed with the Secretary of the Association prior to the meeting for which it is to be effective. In case of any conflict between two (2) or more proxies purporting to come up with the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. A proxy is effective only for the specific meeting for which it was originally given, as such meeting lawfully may be adjourned and reconvened, and automatically expires ninety (90) days after the date of the meeting for which it was originally given. Every proxy is revocable at any time at the pleasure of the Member who executes the proxy.

Section 3.9 Manner of Voting. Except as otherwise specified in the Declaration with respect to voting on particular matters, the manner of voting (i.e. by show of hands, written ballot, electronic or other means), and absentee voting shall be governed by rules adopted by the Board of Directors.

Section 3.10 Waiver of Notice. Any Member may waive, in writing, notice of any Association meeting, either before, during, or after such meeting and shall be deemed a waiver notice by attending the meeting unless the Member specifically objects to lack of proper notice of the date, place or time of the meeting at the time the meeting is called, or specifically objects to lack of required notice of business to be transacted prior to such business being put to a vote.

Section 3.11 Conduct at Meetings. The President shall preside over Association meetings. In his or her absence, the Vice President shall preside. To the extent consistent with the Declaration and these By-Laws, the meeting shall be conducted according to the most current edition of Robert's Rules of Order.

Section 3.12 Action without a Meeting.

3.12.1 Action by Written Consent. Any action required or permitted by the Declaration, the Articles, or South Carolina law to be taken at a meeting of the Owners may be taken without a meeting, without prior notice, and without a vote if approved by Owners representing at least eighty percent (80%) of the votes in the Association. Such approval shall be evidenced by one (1) or more written consents specifically authorizing the proposed action, dated and signed by Owners holding the requisite votes. The Association need not give prior notice before soliciting such consent; however, the Association must send written consent forms to all

Owners for action authorized pursuant to this subsection to be valid. Owners shall sign, date, and deliver such consents to the Association within sixty (60) days after the Association's receipt of the earliest dated consent. The Association's Secretary shall file (or cause to be filed) such consents with the Association's minutes and the consents shall have the same force and effect as a vote of the Owners at a meeting. Written notice of Member approval pursuant to this subsection must be given to all Members who did not sign a written consent. Member approval pursuant to this subsection is effective ten (10) days after such written notice of approval is given.

3.12.2 Action by Written Ballot. Any action that may be taken by the Members at any annual, regular, or special meeting may be taken without a meeting if the Association delivers a written ballot to every Member entitled to vote on the matter. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for votes by written ballot shall: (i) indicate the number of responses needed to meet the quorum requirements; (ii) state the percentage of approvals necessary to approve each matter other than election of directors; and (iii) specify the time by which a ballot must be received by the Association in order to be counted. Approval by written ballot pursuant to this subsection is valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present if a meeting authorizing the action were held and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. Once delivered to the Association, a written ballot may not be revoked.

ARTICLE IV BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 4.1 Governing Body: Qualifications: Number. The affairs of this Association shall be managed by a Board of Directors (having the same meaning as "Board" under S.C. Code §33-31-140). The Board shall initially consist of three (3) individuals appointed by the Class "B" Member. Once the Class "B" membership terminates, the members of the Board shall consist of three (3) members and shall be elected by the Class "A" Members. Except with respect to directors appointed by the Declarant, directors shall be Members or spouses of Members. However, no member or spouse representing the same Residence may serve on the Board at the same time.

Section 4.2 Manner and Timing of Selection.

4.2.1 Except as otherwise provided in this Section 4.2, the Class "B" Member shall have sole and complete authority to appoint, remove, or replace the Members of the Board of Directors so long as it retains its Class "B" vote.

4.2.2 Within the latter of (i) the next Annual Meeting Date or (ii) ninety (90) days after termination of the Class "B" Membership, and, accordingly, the Class "B" vote, the President shall call for an election by which Class "A" Members shall be entitled to elect the three (3) directors. One (1) director shall serve a term of two (2) years; one (2) director shall serve a term of three (3) years; and one (1) director shall serve a term of one (1) year as such

directors determine among themselves. Upon the expiration of the term of office of each director elected by the Class A" Members, the Class "A" Members entitled to elect such directors shall be entitled to elect their successor to serve a term of two (2) years, all successor terms being two (2) years. Directors elected by the Members shall hold office until the respective successors have been elected.

ARTICLE V NOMINATIONS AND ELECTIONS

Section 5.1 Nominations and Declarations of Candidacy. Prior to each election of directors, the Board of Directors shall prescribe the opening date and the closing date of a reasonable filing period in which each and every eligible person who has an interest in serving as a director may file as a candidate. The Board of Directors shall also establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair, efficient and cost-effective manner.

Nominations for election to the Board of Directors may also be made by a Nominating Committee. The Nominating Committee, if any, shall consist of a chairman, who shall be a member of the Board of Directors, and three (3) Members or representatives of Members. Members of the Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting to serve a term of one (1) year or until their successors are appointed, and such appointment shall be announced in the notice of each election. The Nominating Committee may make as many nominations for election to the Board of Directors as it shall in its discretion determine. All Nominations shall be made by written ballot and during the filing period referenced in this Section 5.1. Each candidate shall be given a reasonable opportunity to communicate his or her qualifications to the Members prior to the election or close of balloting.

Section 5.2 Election Procedures. For each position to be filled on the Board of Directors, each Owner may cast the entire vote that it is allocated under the Declaration for each Residence that it owns. Cumulative voting shall be permitted. That number of candidates equal to the number of positions to be filled who receives the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

Section 5.3 Removal of Directors and Vacancies. Any director elected by the Members may be removed, with or without cause, by the vote of Members holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Members to fill the vacancy for the remainder of the term of such director.

Any director elected by the Members who has three (3) consecutive unexcused absences from Board of Directors meetings, or who is more than thirty (30) days delinquent (or is the representative of an Owner who is so delinquent) in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular

or special meeting at which a quorum is present, and the Board of Directors may appoint a successor to fill the vacancy for the remainder of the term.

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

This Section 5.3 shall not apply to directors appointed by the Class "B" Member nor to any director serving as a representative of the Class "B" Member. The Class "B" Member shall be entitled to appoint a successor to fill any vacancy on the Board of Directors resulting from the death, disability or resignation of a director appointed by or elected as a representative of the Class "B" Member.

ARTICLE VI MEETINGS

Section 6.1 Organizational Meeting. The first meeting of the Board of Directors following each annual meeting of the Association shall be held within ten (10) days thereafter at such time and place as the Board of Directors shall fix.

Section 6.2 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as a majority of the directors shall determine, but at least four (4) such meetings shall be held during each fiscal year with at least one (1) per quarter.

Section 6.3 Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President or Vice President or by any two (2) directors.

Section 6.4 Notice: Waiver of Notice. Notices of Board of Directors meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The notice shall be given to each director by (i) personal delivery, (ii) first class mail, postage prepaid, (iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director, or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, facsimile telephone number, or electronic mail address, or sent to the director's mailing address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least five (5) business days before the time set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least seventy two (72) hours before the time set for the meeting.

Transactions of any Board of Directors meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each director not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The

waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 6.5 Telephonic Participation. Members of the Board of Directors or any committee may participate in a meeting of the Board of Directors or such committee, respectively, by conference telephone or similar communications equipment, by means of which all persons participating in the meeting can simultaneously hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

Section 6.6 Quorum. At all Board of Directors meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the departure of directors during the meeting, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 6.7 Conduct of Meetings. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of Board of Directors meetings, recording all resolutions adopted and all transactions and proceedings occurring at such meetings.

Except as otherwise specifically provided below, all Board of Directors meetings shall be open to all Members, but attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak. In such case, the President may limit the time any such individual may speak.

The President may adjourn any meeting of the Board of Directors and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

Section 6.8 Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if written consent, setting forth the action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

ARTICLE VII POWER AND DUTIES

Section 7.1 General Authority. The Board of Directors shall be responsible for conducting the affairs of the Association and shall be authorized to exercise all rights and powers of the Association and to do all acts and things on behalf of the Association except those which the Declaration, these By-Laws or South Carolina law specifically require to be done or approved by the membership. The Board of Directors shall have all powers necessary for the administration of the Association's affairs.

Section 7.2 Duties. Duties of the Board of Directors shall include, without limitation:

7.2.1 Preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Association's expenses;

7.2.2 Levying and collecting such fees, assessments, contributions and charges ("Assessments") from the Owners as outlined in Article 8 of the Declaration, including any working capital assessments due upon the resale of a Residence;

7.2.3 Providing for the operation, care, upkeep, and maintenance of the Common Areas and open space;

7.2.4 Designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

7.2.5 Opening bank accounts on behalf of the Association and designating the signatories required;

7.2.6 Depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited in depositories other than banks if the Board of Directors, in the exercise of its business judgment, determines it appropriate to do so;

7.2.7 Making and amending Restrictions and Rules in accordance with the Declaration;

7.2.8 Making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;

7.2.9 Enforcing by legal means the provisions of the Declaration, including the filing of liens for unpaid Assessments, and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;

7.2.10 Obtain and maintain insurance, as set forth in Section 10 of the Declaration, in forms and amounts as prescribed and which are also satisfactory to any mortgagee holding mortgages on five (5) or more Residences;

7.2.11 Paying the cost of all services rendered to the Association;

7.2.12 Keeping books with detailed accounts of the Association's receipts and expenditures;

7.2.13 Making available to any prospective purchaser of a Residence, any Owner, and the holders, insurers, and guarantors of any mortgage on any Residence, current copies of the Project's governing documents and all other books, records, and financial statements of the Association as required by these By-Laws;

7.2.14 Permitting utility suppliers to use portions of the common properties reasonably necessary to the ongoing development or operation of the Project; and

7.2.15 Indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is required by South Carolina law, the Articles of Incorporation or the Declaration.

Section 7.3 Authorized Services. In addition to the duties set forth in Section 7.2 above, the Board of Directors shall be authorized, but not required, to ensure the Association provides the services set forth in Section 9.10 of the Declaration.

ARTICLE VIII OFFICERS AND THEIR DUTIES

Section 8.1 Designation of Officers. Officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the Board of Directors, other officers may, but need not be members of the Board of Directors. The Board of Directors may appoint such other officers or assistant officers as it shall deem desirable, such officers to have such authority and perform such duties as the Board of Directors prescribes. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 8.2 Election of Officers. The Board of Directors shall elect the Association's officers at the first Board of Directors meeting following each annual meeting of the Members, to serve until their successors are elected.

Section 8.3 Removal and Vacancies. The Board of Directors may remove any officer whenever in its judgment the best interests of the Association will be served, and may fill any vacancy in any office arising because of death, resignation, removal or otherwise, for the unexpired portion of the term.

Section 8.4 Powers and Duties of Officers. The Association's officers shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board of Directors may specifically conferred or impose upon them. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

ARTICLE IX MANAGEMENT

Section 9.1 Committees. In addition to those committee specifically authorized elsewhere in the Declaration, the Board of Directors may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board of Directors may designate by resolution. Each committee shall operate in accordance with the terms of its enabling resolution.

Section 9.2 Management Agent. The Board of Directors may employ for the Association a professional management agent or agents at such compensation as the Board of Directors may establish, to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy-making or decision-making authority or ultimate responsibility for those duties set forth in Section 7.2. This professional management agent or agents employed by the Board of Directors may be the Declarant or any affiliate of the Declarant.

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

Section 9.3 Compensation of Directors, Officers and Committee Members. Except as specifically authorized under the Declaration, directors, officers and committee members shall not receive any compensation from the Association for acting as such unless approved by Members representing a majority of a quorum of the eligible votes represented at a regular or special meeting of the Association. Any officer or director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the directors other than the director requesting the reimbursement, if applicable. Nothing herein shall prohibit the Association from compensating an officer or director, or any entity with which an officer or director is affiliated, for services or supplies furnished to the Association in a capacity other than as an officer or director pursuant to a contract or agreement with the Association, provided that such officer's or director's interest was made known to the Board of Directors prior to entering into such contract and such contract was approved by a majority of the Board of Directors, excluding the interested director.

Section 9.4 Right of Class "B" Member to Disapprove Actions. So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy or program of the Association, the Board of Directors and any committee which, in the sole judgment of the Class "B" Member, would tend to impair rights of Declarant under the Declaration or these By-Laws, or interfere with the development or construction of any portion of the Project, or diminish the level of services being provided by the Association.

9.4.1 Notice. The Class "B" Member shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board of Directors or any committee. Such notice shall be given by

certified mail, return receipt requested, or by personal delivery at the address Declarant has registered with the Secretary of the Association, and such notice shall comply with the notice requirements otherwise set forth in these By-Laws for meetings of the Association or the Board of Directors.

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

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

The Class "B" Member, its representatives or agents shall make its concerns, thoughts and suggestions known to the Board of Directors and/or the members of the subject committee. The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within ten (10) days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within ten (10) days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions out shall not include a right to require any action or counteraction on behalf of any committee, the Board of Directors, or the Association. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws.

Section 9.5 Authority to Execute Contracts. Checks. Etc. At least two (2) officers, or such other person or persons as the Board of Directors may authorize by resolution, shall execute all agreements, contracts, deeds, easements, leases, checks, and other instruments of the Association.

Section 9.6 Right to Contract. The Association shall have the right to contract with any person or entity for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominium regimes, and owners, residents, merchants, or tenants' Associations, within and outside the Project. Any common management agreement shall require the consent of a majority of the Board of Directors.

ARTICLE X ACCOUNTING AND FINANCIAL MATTERS

Section 10.1 Fiscal Year. The Association's fiscal year shall be the calendar year unless the Board of Directors establishes a different fiscal year by resolution.

Section 10.2 Accounting. The following accounting standards shall be followed unless the Board of Directors by resolution specifically determines otherwise:

10.2.1 accrual accounting, as defined by generally accepted accounting principles, shall be employed;

10.2.2 accounting and controls should conform to generally accepted accounting principles;

10.2.3 cash accounts of the Association shall not be commingled with any other accounts;

10.2.4 no remuneration shall be accepted by any individual from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise;

10.2.5 anything of value received shall benefit the Association; and

10.2.6 any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors.

Section 10.3 Financial Reports.

10.3.1 Annual Report. An annual report consisting of at least the following shall be made available to all Members within one twenty (120) days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board of Directors determines, by an independent public accountant.

Section 10.4 Borrowing. The Association shall have the power to borrow money for any legal purpose; provided, if the proposed borrowing is for the purpose of making discretionary, capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous twelve (12) month period, exceeds or would exceed ten (10%) percent of the Association's budgeted gross expenses for that fiscal year, such borrowing shall require approval of Class "A" Members entitled to cast a majority of total Class "A" votes in the Association, plus the Class "B" Member's consent if the Class "B" Member still exists.

ARTICLE XI STANDARDS OF CONDUCT; LIABILITY AND INDEMNIFICATION

Section 11.1 Standards for Directors and Officers. The Board shall exercise its powers in a reasonable, fair, nondiscriminatory manner and shall adhere to the procedures established in the Declaration and these By-Laws.

In performing their duties, directors and officers shall act as fiduciaries and shall be insulated from liability as provided for directors of corporations under state law and as otherwise

provided by the Declaration and these By-Laws, directors and officers shall discharge their duties as directors or officers, and as members of any committee to which they are appointed, in a manner that the director or officer believes in good faith to be in the best interest of the corporation and with the care that an ordinarily prudent person in alike position would exercise under similar circumstances. A director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by others to the extent authorized under the South Carolina Nonprofit Corporation Act.

Section 11.2 Liability.

11.2.1 A director shall not be personally liable to the Association or any Member, or any other Person for any action taken or not taken as a director if the director has acted in accordance with Section 11.1.

11.2.2 Pursuant to the business judgment rule, a director also shall not be personally liable for any action taken or not taken as a director if the director:

- A. Acts within the expressed or implied scope of the Declaration and these By-Laws and his or her actions are not ultra vires;
- B. Affirmatively undertakes to make decisions which are necessary for the Association's continued and successful operation and, when decisions are made, makes them on an informed basis;
- C. Acts on a disinterested basis, promptly disclosing any real or potential conflict of interests (pecuniary or other), and avoiding participation in decisions and actions on matters as to which he has a conflict of interest (beyond that which all directors have by virtue of their ownership or occupancy of a Residence); and
- D. Acts in a non-fraudulent manner and without reckless indifference to the Association's affairs.

11.2.3 The officers, directors, and committee members of the Association shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association).

Section 11.3 Indemnification. Subject to the limitations of South Carolina law, the Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees and expenses, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that the Association shall have no

obligation to indemnify any individual against liability or expenses incurred in connection with a proceeding:

11.3.1 Brought by or in the right of the Association, although it may reimburse the individual for reasonable expenses incurred in connection with the proceeding if it is determined, by the court or in the manner provided above, that the individual met the relevant standard of conduct under the South Carolina Nonprofit Corporation Act; or

11.3.2 To the extent that the individual is adjudged liable for conduct that constitutes:

- A. appropriation, in violation of his or her duties of any business opportunity of the Association;
- B. intentional misconduct or knowing violation of the law;
- C. an unlawful distribution to members, directors or officers; or
- D. receipt of an improper personal benefit.

This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

Section 11.4 Advancement of Expenses. Subject to the requirements and limitations of South Carolina law, the Board may authorize the Association to advance funds to pay for or reimburse the reasonable expenses incurred by a present or former officer, director or committee member in any proceeding to which he or she may be a party by reason of being or having been an officer, director, or committee member of the Association.

ARTICLE XII ENFORCEMENT

Section 12.1 Covenants Committee. Upon termination of the Class "B" membership, the Board of Directors may appoint a Covenants Committee consisting of at least three (3), and no more than seven (7), Members. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board of Directors may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to this Article XII of these By-Laws. The Board of Directors shall also serve as a Board of Appeals to handle appeals from decisions of the Covenants Committee in accordance with such procedures as the Board may establish.

Section 12.2 Notice and Hearing Procedures. The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Declaration. To the

extent specifically required by the Declaration, the Board of Directors shall comply with the following procedures prior to imposition of sanctions:

12.2.1 Notice. The Board of Directors or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than ten (10) days within which the alleged violator may present a written request for a hearing to the Board or Covenants Committee, as applicable; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a hearing is requested within ten (10) days of the notice. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minute book of the Board or Covenants Committee, as applicable. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the person who delivered such notice.

12.2.2 Hearing. If a hearing is requested within the allotted ten (10) day period, the hearing shall be held before the Board or Covenants Committee, as applicable. The alleged violator shall be afforded a reasonable opportunity to be heard and to present evidence and witnesses on his own behalf. Within five (5) days after the hearing, the Board or Covenants Committee shall notify the alleged violator of its findings and the sanction, if any, to be imposed. A copy of such notification shall be filed in the minute book of the Board or Covenants Committee, as applicable.

If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed, provided the Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any person.

Section 12.3 Right of Appeal. The violator shall have the right to appeal any adverse decision by the Covenants Committee to the Board of Directors, if any, in accordance with procedures that the Board may establish, whose decision shall be final and unappealable. To exercise this right, a written notice of appeal must be received by the Association's manager, President, or Secretary within ten (10) days after receipt of notice of the adverse decision of the Covenants Committee. The Board may accept such written statements as it deems appropriate to assist it, but shall not be required to conduct another hearing.

Section 12.4 Abatement and Enjoinment of Violations by Owners. The violation of any rules or regulations adopted by the Board or the breach of any By-Laws contained herein, or the breach of any provisions of the Declaration, shall give the Board the right, in addition to any other rights set forth in these By-Laws: (a) to enter the Residence in which or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition, that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach and to recover the cost of such enforcement,

including attorneys' fees, and until such expense is recovered it shall be a lien upon said Residence which lien shall be inferior to the lien of all prior mortgages.

Section 12.5 Litigation. No judicial proceeding shall be commenced or prosecuted by the Association unless approved by a vote of seventy-five percent (75%) of the votes eligible to be cast by the Owners. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided herein; (c) proceedings involving taxation, including, e.g., challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. In the event any litigation is instituted, then the Association shall assess all Owners for the costs of litigation, including, without limitation, attorneys' fees incurred, and funds from regular assessments shall not be used for any such claim or litigation.

ARTICLE XIII MISCELLANEOUS

Section 13.1 Conflicts. If there are conflicts among the provisions of South Carolina law, the Articles of Incorporation the Declaration, and these By-Laws, the provisions of South Carolina law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

Section 13.2 Books and Records.

13.2.1 Inspection by Members and Mortgagees. The Board of Directors shall make available for inspection and copying by any institutional lender with a first mortgage on a Residence, any Owner, or the duly appointed representative of any of the foregoing, at any reasonable time and for a purpose reasonably related to his or her interest in a Residence, the Declaration, the membership register, books of account, and the minutes of meetings of the Members, the Board of Directors, and committees. The Board of Directors shall provide for such inspection to take place at the Associations' office, the managing agent's office or at such other place within the Project as the Board of Directors shall designate. The Board of Directors shall establish rules with respect to:

- A. notice to be given to the custodian or the records;
- B. hours and days of the week when such an inspection may be made; and
- C. payment of the cost of reproducing documents requested.

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

Section 13.3 Notices. Except as otherwise provided in the Declaration or these By-Laws, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

13.3.1 If to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Residence of such Member; or

13.3.2 If to the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

13.3.3 If to any committee, at the principal address of the Association or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

Section 13.4 Amendments. For a period during which the Class "B" membership exists, the Class "B" Member shall have the right to amend these By-Laws. Otherwise and thereafter, these By-Laws may be amended upon resolution of the Board of Directors.

Section 13.5 Gender; Number. The use of the masculine gender in these By-Laws includes the feminine gender, and when the context requires, the use of the singular includes the plural.

Section 13.6 Definitions. The definitions contained in Section 3 and elsewhere in the Declaration also apply to these By-Laws.

Section 13.7 Execution of Documents. The President or Vice President and Secretary or Assistant Secretary are responsible for preparing, executing, filing and recording amendments to the Declaration and By-Laws, and shall be authorized to execute any other document which the Association may from time to time be required to execute.

Section 13.8 Captions. The captions contained in these By-Laws are inserted as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these By-Laws or the intent of any provisions of the By-Laws.

Section 13.9 Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

Section 13.10 Conflict. If there are conflicts among the provisions of South Carolina law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of South Carolina law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

Section 13.11 Waiver. No restriction, condition, obligation, or covenant contained in these By-Laws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the violations or breaches thereof which may occur.