

- 4.3 Special Meetings. Special meetings of the members may be called by the Board or the owners of not less than thirty-three and one-third (33 1/3%) percent of the percentage interest in the limited and general common elements of the Regime (the "Percentage Interest").
- 4.4 Notice. Written notice stating the place, day, and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered not less than fifteen (15) days before the date of the meeting, either personally or by mail, by or at the direction of the President, to each member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the secretary's books.
- 4.5 Quorum. Fifty-one (51%) percent of the Percentage Interest entitled to vote represented in person or by proxy shall constitute a quorum of a meeting of members.
- 4.6 Decisions. All decisions adopted by the Association must be made upon the affirmative vote of Fifty-one (51%) percent of the Percentage Interests eligible to vote, unless a greater percentage is specifically required in the Master Deed or these By-Laws.
- 4.7 Proxy. A member may vote either in person or by proxy given to another member of the Association whose assessments are current, executed in writing by a member and dated prior to the meeting. If a duly mailed proxy is not returned and the Unit Owner does not attend the meeting, the Unit owner will be deemed present for purposes of a quorum and he shall be deemed to have given his proxy to the Board President.
- 4.8 One Representative Per Unit. If one Unit is owned by more than one person, the owners must decide among themselves and then designate in writing filed with the secretary prior to the meeting, one of the owners or a proxy as their representative to participate in and vote at meetings. The other members may attend the meetings, but may not participate in or vote their pro rata Percentage Interest.

ARTICLE V
Board of Directors

5.1 Manage Affairs of Association; Power to Contract. The affairs of the Association including the designation and dismissal of the personnel necessary for the administration and operation of the affairs of the Regime and the Association shall be managed by the Board. The initial Board shall consist of three (3) individuals who shall be Unit Owners who shall be selected as set forth in Section 7.4 of the Master Deed. This initial Board shall serve until their successors are elected at the first annual Association meeting as set forth in Section 5.2.

Subject to the provisions of the Master Deed, the Board shall have the power to contract for the management of the Association and to delegate to the manager all powers and duties of the Association except those required under the Master Deed and these By-Laws to have the approval of the Board or the Association or particular Unit owners.

5.2 Terms and Election of Directors. At the first annual or special Association meeting, the members shall elect three (3) Board members who shall be Co-Owners of the Units in the Regime for terms of three (3) years. Each Unit Owner shall be entitled to one vote for each percentage point of undivided interest in the Common Elements as set forth in the Master Deed. Cumulative voting shall be allowed so that Unit Owners may cast all of such votes for any one candidate or may distribute their votes among some or all of the candidates.

5.3 Vacancy. Any vacancy occurring in the Board may be filled by the affirmative vote of the remaining Board members. A Board member shall be elected for the unexpired term of his predecessor in office.

5.4 Meeting. The Board shall meet upon the call of the president or secretary of the Association. The meetings may be held upon written or oral notice received not later than the second day immediately preceding the day for the meeting.

5.5 Quorum. A majority of the number of Board members fixed by

the By-Laws shall constitute a quorum for the transaction of business. Board members must be present in person or present by way of speaker phone, not by proxy. The act of the majority of Board members present at a meeting at which a quorum is present shall be the act of the Board.

ARTICLE VI

Officers of the Association

- 6.1 Number and Name. The Officers of the Association shall consist of a president and a secretary and a treasurer, each of whom shall be elected by the Board. The Board may require that one or more officers be bonded.
- 6.2 President. The president shall have active executive management of the Association, subject, however, to the control of the Board. He shall preside at all Association meetings, discharge all of the duties that devolve upon a presiding officer, and perform other duties as the Board may prescribe. The president shall have full authority to execute on behalf of the Association both certificates of amendments to these By-Laws and the Master Deed, when the Association is authorized by the Association and by applicable law.
- 6.3 Secretary. The secretary shall attend Association meetings and Board meetings, and shall keep, or cause to be kept in a book provided for the purpose, a true and complete record of the proceedings of these meetings. He shall be custodian of the records of the Association. He shall make available to all Association members and to holders, insurers, or guarantors of any first mortgage current copies of the Master Deed, By-Laws, and other rules and regulations concerning the Regime and the books and records of the Regime. He shall attend to the giving of all notices and shall perform such other duties as the Board may prescribe.
- 6.4 Treasurer. The treasurer shall keep a book or record containing a detailed account of each Unit's working capital and common expense assessment and, in chronological order, of the receipts and expenditures affecting the Regime and its administration, and specifying the maintenance and repair expenses of the limited and general

common elements and any other expenses incurred. Both the books or records and the vouchers accrediting the entries made thereupon shall be available for examination by all the Association members and holders, insurers or guarantors of any first mortgages, at convenient hours on working days that shall be set and announced for general knowledge. The Treasurer shall be authorized to cash checks and sign notices and checks on behalf of the Association. One person may hold the combined position of Secretary/Treasurer.

ARTICLE VII

Liability and Indemnification of the Board Members and Officers

- 7.1 Liability of Directors and Officers. No Board member or officer of the Association shall be liable to any Co-Owner for any decision, action or omission made or performed by such Board member or officer in the course of his duties unless such Board member or officer acted in bad faith or in reckless disregard of the rights of any person or of the terms of the Master Deed or these By-Laws.
- 7.2 Indemnification of Board Members and Officers. The Association shall indemnify and defend each Board member and officer of the Association from any liability claimed or imposed against him by reason of his position or decision, action or omission as a Board Member or any officer of the Association if all of the following conditions are satisfied:
- (a) Such Board member or officer has conducted himself in good faith; and
 - (b) Such Board member or officer reasonably believes that his conduct in his official capacity with the Association, was in its best interest; and
 - (c) In all other cases, that his conduct was at least not opposed to the Association's interests; and
 - (d) In the case of criminal proceedings, such Board member or officer had no reasonable cause to believe his conduct was unlawful; and
 - (e) Such Board member or officer cooperates with the Association in defending against the liability.

The expense of indemnifying a Board member or an officer shall be a Common Expense and shall be borne by all the Co-Owners, including such Board member or officer. Notwithstanding any provision herein to the contrary, indemnification permitted under this section in connection with a proceeding by or in the right of the Association is limited to reasonable expenses incurred in connection with the proceeding.

ARTICLE VIII

Rules and Regulations

The Board may issue such rules and regulations governing the use of the Property as it deems necessary, which when ratified at an Association meeting by members owning at least fifty-one (51%) percent of the Percentage Interest in the Property, shall become effective. Such rules and regulations shall be enforceable by fine according to the schedule contained in the rules and regulations which shall be assessed against the Unit or the violator. The following shall constitute the initial rules and regulations:

1. Each Unit Owner shall keep his Unit in a good state of preservation and cleanliness. He shall not allow anything whatever to hang or fall from the windows and doors of the premises, nor shall he sweep or throw from the premises any dirt or other substance into any of the corridors or halls, ventilators or elsewhere in the building or upon the grounds. Refuse shall be placed in containers in such manner and at such times and places as the Board or its agent may direct.

2. Unit Owners shall not cause or permit any disturbing noises or objectionable odors to be produced upon or emanate from their Units.

3. Unit Owners shall not permit or keep in their Units any flammable, combustible, or explosive material, chemical, or substances, in other than approved containers.

4. No vehicle belonging to a Unit Owner or visitor shall be parked in such a manner as to impede or prevent ready access to any entrance to or exit from the building or parking lots by any other vehicle owned by another Unit Owner or guest.

5.The Board or its designees shall have the right of access to any Unit for the purpose of making inspections, repairs, replacements, or improvements, or to remedy certain conditions which would result in damage to other portions of the building. In the event it finds vermin, insects, or other pests, it may take such measures as it deems necessary to control or exterminate same.

6.Any consent or approval given under these rules and regulations may be added to, amended, or repealed at any time by resolution of the Board.

7.Use of a Unit by a Unit Owner shall not be changed to any unauthorized use.

8.No Unit Owner or lessee shall install wiring or electrical or telephone installation, television, or radio antennae, air conditioning units, or similar object outside of his Unit or which protrudes through the walls of his Unit or the roof of the building except as authorized by the Board.

ARTICLE IX

Common Expense Liability

9.1 Working Capital. Upon the transfer of a Unit, the transferee of the Unit shall pay to the Association a sum equal to at least two months assessment as working capital. Such sums are separate and distinct from regular assessments and shall not be considered advance payments of such assessments. Each Unit's share of the working capital fund must be collected from the Purchaser and transferred to the Association at the time of closing of the sale of a Unit.

9.2 Owner's Liability. The Unit Owners are bound to contribute pro rata according to their Percentage Interest as amended toward both the expenses of administration of the Regime and common expenses as set forth in the Master Deed which include the expenses of maintenance, repair, and replacement of the limited and general common elements. Except as provided for herein to the contrary, the Board shall assess each Unit Owner for the expenses chargeable to it. The amounts so assessed shall be the personal

obligation of the owner at the time the assessment falls due and the assessments together with any late fees, the interest, costs of collection and reasonable attorney's fees may be enforced by suit against the Unit owner personally. Such assessments and costs may also be collected as provided in Section 9.5 below.

- 9.3 Initial and Subsequent Budgets. After the filing of the Master Deed and before the conveyance of any Unit, the Declarant shall adopt an initial budget and shall assess each Unit its pro rata share of common expenses. After the initial assessment has been made, assessments shall be based on a budget adopted at least annually by the Board. Assessments shall be payable as determined by the Board. The Board shall assess a late fee of \$20.00 per month if such assessments are not paid within twenty-five (25) days of the due date. Thereafter, continuing until the balance is paid in full, the Board may assess interest at such rate as the Board may determine on any unpaid balance, including any prior years' assessments, late payments and interest charges.
- 9.4 Maintenance Reserve Fund. The Association shall establish and maintain a reserve fund from assessments to be held in reserve for the periodic maintenance, repair, and replacement of improvements to the general and limited common elements that the Association is responsible for maintaining.
- 9.5 Enforcement by Lien. In order to secure the payment of regular annual assessments, special assessments, late fees and interest, the Association has a lien on a Unit for any assessment levied against that Unit or its owner, late fees and interest imposed against its owner from the time the assessments, late fees or interest become due. Said lien shall be junior and subordinate to any mortgage encumbering the Unit that was duly recorded before the assessment was due. The lien on the Unit may be foreclosed in a like manner as a mortgage upon real estate and such lien shall be deemed to include the costs of collection, including interest and reasonable attorney's fees.

ARTICLE X
Insurance

The Board shall maintain, to the extent reasonably available, insurance in the following forms.

10.1 Coverage. The Board shall obtain all insurance coverage as required by the Master Deed.

10.2 Fidelity Bonds. The Board may maintain fidelity bonds covering all officers and employees who handle or are responsible for funds held or administered by the Association, naming the Association as obligee, in an amount equal to the maximum funds that will be in the custody of the Association, but in no case less than an amount equal to the sum of three (3) months assessments of all Units, plus the amount of the Association's reserve funds. Any such bond that shall contain a provision that requires at least ten (10) days written notice to the Board and to each servicer that services an FNMA owned mortgage in the Regime before the bond may be canceled or substantially modified. Personnel or any management agent must be covered by a fidelity bond on such agent of comparable coverage.

ARTICLE XI

Reconstruction and Repair

The provisions contained in the Master Deed regarding Reconstruction and Repair are incorporated herein by specific reference thereto the same as if set forth herein verbatim.

ARTICLE XII

Waiver of Partition of Regime

12.1 Association. The Association may only by the unanimous vote of all its members:

- (a) Waive the Regime and regroup or merge the individual Units with the common elements provided that the individual Units are unencumbered, or if encumbered, that the mortgagee in whose behalf the encumbrances are recorded agrees to accept as security the undivided portions of the property owned by the

- debtors.
- (b) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the limited and general common elements. The granting of easements for public utilities or for other public purposes consistent with the intended use of the general and limited common elements by the Association shall not be deemed a transfer within the meaning of this clause.

ARTICLE XIII

Use of Units - Internal or External Changes

- 13.1 All Units shall be utilized for residential purposes and as permitted under the zoning laws of the Town of Folly Beach.
- 13.2 No alteration of a Unit which either affects the structural integrity or mechanical systems of the building or results in changes visible from outside the Unit, may be undertaken without prior written approval of the Association. However, the Association shall approve any proposed alteration unless the Association determines that the proposed alteration would adversely affect the exterior appearance of the building or any common elements therein, or the health, safety or quiet enjoyment of other Unit Owners. Any Unit Owner altering a Unit pursuant to this Section shall: (1) provide for waivers of all mechanics lien rights which may arise as a result of the alteration; (2) provide certificates of insurance insuring against all losses commonly insured against arising out of work naming the Association as an additional insured; (3) indemnify and hold the Association and other Unit Owners harmless from the effect of the work; and (4) minimize the disturbance of other Unit Owners and their business activity during the work. The Association shall have the obligation to answer within thirty (30) days from the actual receipt of such notice and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.
- 13.3 A Unit Owner may make any improvements or alterations to his Unit that do not impair the structural integrity or mechanical systems or lessen the support of any portion of

the building.

ARTICLE XIV
Right of Entry

14.1 A Unit Owner shall grant the right of entry to the management agent or to any person authorized by the Board in case of an emergency originating in or threatening his Unit, whether the Unit Owner is present at the time or not.

14.2 A Unit Owner shall permit other Unit Owners or their representatives, when so required, to enter his Unit for the purpose of performing installations, alterations or repairs to the mechanical or electrical services, provided that such requests for entry are made in advance and that such entry is at a time convenient to the Owner. In case of emergency, the right of entry shall be immediate.

ARTICLE XV
Amendments

15.1 These By-laws may be amended by the Association in a duly constituted meeting of the members held for such purpose, or in a properly conducted referendum by use of the mails which include proper notice to all Unit Owners and no amendment shall take effect unless approved by Unit Owners representing at least two-thirds (2/3) of the percentage interest in the common elements of the Property as shown on the Master Deed.

This is to certify that the attached By-Laws were adopted by the members and Board of Directors of Back Bay at Folly Owners Association, Inc. on this _____ day of

_____, _____.

Secretary

STATE OF SOUTH CAROLINA)
)
COUNTY OF CHARLESTON) ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this
_____ day of _____, _____ by Back Bay at Folly Owners
Association, Inc., By John G. Hassell, It's Secretary.

Notary Public for South Carolina.
My Commission Expires:_____