

BYLAWS OF THE ASHFORD ON THE WATER HOMEOWNERS' ASSOCIATION

ARTICLE I PURPOSE

The purpose of this non-profit Association is to own, maintain, manage, and preserve the Common Areas and Amenities thereon, and to exercise architectural control over the Lots owned by the Members of the Association for the mutual benefit, health, safety and welfare of the Members of the Association.

ARTICLE II DEFINITIONS

Unless the context shall prohibit or otherwise require, each of the following words or terms, whenever used herein with an initial capital letter, shall have the following meaning:

1. "Amenities" means any facility or structure of any kind constructed, erected, or installed on or within the Common Area for the use, benefit and enjoyment of the Members.
2. "Assessment" means a levy imposed, from time to time, against the Owner and his Lot by the Association in the manner hereinafter provided.
3. "Association" means the Ashford On The Water Homeowners Association, Inc., a South Carolina non-profit corporation, and its successors.
4. "Board" means the Association's Board of Directors, the governing body of the Association.
5. "Common Area" means all real property owned by the Association for the common use and enjoyment of the Owners. Common Areas, with respect to the Property subject to this Declaration, shall be shown on the various plats of Ashford On The Water Subdivision recorded in Plat Book B-95 at page 10 and Plat Book B-395 page 9 in the Office of the Clerk of Court for York County and designated thereon as "Common Areas," but shall exclude all Lots and all public streets shown thereon.
6. "Common Expense" means all sums lawfully assessed by the Association, including expenses for the administration of the Association; the maintenance, repair or replacement of the Common Area (including the Amenities and landscaping); the payment of utilities associated with the Common Area; premiums for insurance (hazard, liability, and other); ad valorem taxes and other governmental assessments; and expenses declared as Common Expenses by these by-laws or otherwise agreed upon by the Members.
7. "Declaration" shall mean that a certain instrument entitled "Declaration of Restrictive Covenants", or the like, for a subdivision that is recorded in the Office of the Clerk of Court for York County, including all amendments thereto and/or applications of said restrictive covenants to additional property.
8. "Developer" means C.H.A. Development, LLC and any successors or assigns.
9. "Lot" means any numbered plot of land as shown upon a recorded subdivision plat which is zoned and intended for residential use. Lot specifically excludes any Common Area.

10. "Member" means each Owner of a Lot, including Developer so long as it owns any Lot. Regardless of whether there are multiple owners of one Lot, there shall be no more than one membership per Lot.

11. "Written communication" and "written notice" means written correspondence sent via U.S. Mail postage prepaid or correspondence distributed in newspaper tubes mounted under the resident's mailboxes or correspondence sent to resident's email addresses provided by the residents to board members for such communications.

12. "Owner" means the record owner, whether one or more person or other legal entity (such as partnership, corporation, trustee, or the like), of the fee simple, or undivided fee simple, interest in a Lot. Owner excludes any person or other legal entity having merely a security interest in a Lot.

ARTICLE III MEMBERSHIP

Every Owner of a Lot subject to a Declaration, which requires said lot owner to be member of this Association is a member. Provided, however, that in the case of multiple ownership of any Lot, there shall be a maximum of one (1) Member. In the event of multiple ownership of any kind, including by partnership or corporation, the name of the first person or entity listed as owner on the deed will be designated as member unless a different name is submitted to the secretary of the Association within thirty (30) days of acquiring ownership of a Lot.

ARTICLE IV VOTING RIGHTS

The Association will have two classes of voting membership:

Class A. Class A Members shall be all Owners (excluding the Developer) and shall be entitled to one vote for each Lot owned. If more than one person or entity holds an interest in any Lot, all such persons or entities are members and the vote for such Lot shall be exercised as they determine, but in no event shall more than one (1) vote be cast with respect to any Lot, except as provided for Developer herein. The vote of the Owners of a Lot owned by more than one person or other entity shall be cast by the designated Member referred to in Article III. Cumulative voting shall not be permitted.

Class B. The Class B member shall be the Developer, its successor or assign, who shall be entitled to a vote equal to the number of outstanding Class A votes plus one vote for as long as the Developer owns a Lot in the Subdivision. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

- (a) when the Developer shall cease to own any Lot or Dwelling Unit within the Property;
- (b) when, in its soled description, the Developer voluntarily gives up its Class B membership; or
- (c) on January 1, 2007.

ARTICLE V MEETING OF MEMBERS

Section 1. Annual Meeting. The first annual meeting of the Members shall be held within thirteen (13) months after incorporation of the Association, and each subsequent annual meeting of the Members shall

be held in the month of March, April or May of each year, at a date and time determined by the Board of Directors, for the purpose of transacting any business authorized to be transacted by the Members.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the Association's president or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the then existing votes of the Class A membership.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, not less than ten (10) days nor more than sixty (60) days, unless otherwise stated in the Declaration or Articles, before such meeting to each Member entitled to vote, 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. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Notice of the meeting may be waived, before or after the meeting, by vote of all Members of the Association.

Section 4. Quorum. The presence of Members comprising at least one-fourth (1/4) of the votes of each class of Members entitled to cast, or of proxies entitled to cast, votes shall constitute a quorum for any action by Members except as otherwise provided in a Declaration or herein. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or be represented. The joinder of a Member in the action shall constitute the presence of such Member for the purpose of determining a quorum.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary of the Association. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

Section 6. Order. The order of business at the Members' meetings, annual or otherwise, shall be:

- a. Calling of the roll and certifying of proxies;
- b. Proof of notice of meeting or waiver of notice;
- c. Reading and disposal of any unapproved minutes;
- d. Unfinished / Old business;
- e. New business;
- f. Adjournment.

ARTICLE VI BOARD OF DIRECTORS

Section 1. Initial Directors; Number. At the first annual meeting, the Members shall elect seven (7) directors including three (3) officer positions consisting of the President (Chairman), Vice President (Co-Chairman) and Treasurer. The number of officers and directors may be changed by amendment of these By-laws.

At the 2010 annual meeting, the Members voted to elect five (5) directors including three (3) officer positions consisting of the President, Vice President and Treasurer/Secretary. The number of officers and directors may be changed by amendment of these By-laws.

Section 2. Term of Office. Each director of the Association shall hold office for one (1) term unless he shall sooner resign, or shall be removed, or otherwise shall be disqualified to serve. The term shall begin when elected at the Annual Meeting pursuant to Section 1 of Article V and shall end at the subsequent Annual Meeting. Directors may be reelected for subsequent term(s).

Section 3. Nomination and Eligibility. Eligible Members may self-nominate or nominate another eligible member by informing the Board during the nomination period prior to the election. The Secretary shall confirm and validate all nominations prior to the election. Eligible Members are Members in good standing with no outstanding debt owed to the Association.

Section 4. Notice for Nominations: Written notice to Members soliciting nominations for the annual election shall be given by the Board, not less than fourteen (14) days nor more than sixty (60) days prior to the election..

Section 5. Election. Election to the Board of all directors and officers shall be by written ballot. At such election each Member, or his proxy, may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of Article IV. The person(s) receiving the largest number of votes shall be elected. Cumulative voting and factional voting shall not be permitted. Members may not run for more than one position at any given election.

Section 6. Resignation and Removal. Any director may be removed from office, with or without cause, by a majority vote of the board members. Any director may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. In the event of the death, resignation, or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term.

Section 7. Compensation. No director shall receive compensation for any service rendered as director to the Association; however, any director shall be reimbursed for his actual expenses incurred in the performance of his duties with prior approval of a majority of the board for expenses under \$1000 and with prior approval by majority vote of a quorum the Members for any expense over \$1000.

ARTICLE VII MEETINGS OF DIRECTORS

Section 1. Annual Meeting. The annual meeting of the Board shall be held immediately after, and at the same place, as the annual meeting of Members. This meeting is to be attended by the newly elected Board as well as outgoing members. The primary purpose of this meeting is to review accomplishments as well as outstanding business and to aid in the transition of duties to the newly elected Board.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by the president of the Association, or by any two (2) directors, after not less than three (3) days prior notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. The quorum must always include at least one (1) officer. Every act or decision done or made

by a majority of the directors present, at a duly held meeting at which a quorum is present, shall be regarded as an act of the Board.

Section 4. Action Taken Without Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of a majority of the directors. Written approval may include the use of email so long as the Secretary receives a copy that is archived in the same manner as other written correspondence. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VIII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board shall have power to:

(a) Adopt, formulate, amend and publish rules and regulations governing the use of the Common Area, Amenities, and improvements thereon, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof.

(b) Suspend the voting rights and right to use the Common Area and Amenities of a Member during any period in which such Member shall be in default in the payment of any Assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days, for infraction of published rules and regulations. Provided, however, that no Owner may be denied access to his Lot and the right to park his vehicles in the Common Area designated for parking.

(c) Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the Members by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration.

(d) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive meetings of the Board.

(e) Foreclose the lien against any Lot for which the Assessments are not paid within thirty (30) days after their due date and bring an action at law against the Owner personally obligated to pay said Assessment.

(f) Employ a manager (an independent contractor) or such other persons as deemed necessary, and to prescribe their duties.

(g) Exercise such other powers as are conferred upon the Association by the Articles of Incorporation, the Declaration, or these Bylaws.

Section 2. Duties. It shall be the duty of the Board to:

(a) Keep a complete record of all its acts and affairs and to present a statement thereof at the annual meeting of the Members, or at any special meeting if such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote.

(b) Supervise all officers, agents and employees of the Association, and see that their duties are properly performed.

(c) Fix the amount of the annual Assessment against each Lot in advance of each annual Assessment period;

(d) Send written notice of such annual Assessment to every Owner subject thereto at least thirty (30) days in advance of each annual Assessment period;

(e) Prepare and maintain a roll or index of the Lots and Assessments applicable to each Lot in a set of accounting books, noting the name and address of each Lot and its Owner, the amount of each Assessment as it comes due, the amounts paid upon the account, and the balance of any Assessment. The roll or index shall be open to inspection to Members of the Association;

(f) Open and maintain one or more depository accounts in such bank or banks as the Board may decide from time to time in which the monies of the Association shall be deposited. Withdrawal of monies shall be by checks co-signed by the President and one other officer.

(g) Foreclose the lien against any Lot for which the Assessments are not paid within thirty (30) days after their due date and bring an action at law against the Owner personally obligated to pay said Assessments.

(h) Upon demand furnish a receipt signed by an officer of the Association setting forth whether the Assessments on a Lot have been paid. A properly executed receipt of the Association, as to the status of Assessments on a Lot, shall be binding upon the Association as of the date of its issuance, as provided in the Declaration.

(i) Adopt an annual budget which shall contain estimates of the cost of operating the Association as well as anticipated revenues from the Assessments and other fees.

(j) Procure and maintain such casualty, hazard and liability insurance, as provided in Article XII.

(k) Clean-up, maintain and repair the entrance ways, Common Area, Amenities and landscaping thereon.

(l) Pay any taxes, assessments, license fees or governmental charges, levied or imposed against any property, real or personally, owned by the Association.

(m) Enforce all restrictions, covenants, easements, and other matters affecting the Lots and Members.

(n) Perform all other duties imposed by the Articles, the Declaration and these Bylaws.

Section 3. Annual Statement. Pursuant to, and in partial fulfillment of the requirement set forth in Section 2 (a) above, within ninety (90) days of the close of the Association's fiscal year, the Board shall prepare and execute under oath a general itemized statement showing the actual assets and liabilities of the Association at the close of the fiscal year, a statement of revenues, costs, and expenses, and a statement listing the name of any creditor owing the Association \$ 75.00 or more. The Association shall furnish to any Member a copy of these statements within thirty (30) days of receipt of a written request.

ARTICLE IX OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Association shall be a president and vice president, a secretary and a treasurer, each of whom shall be Members of the Board of Directors, and such other officers as the Board may elect from time to time.

Section 2. Election. The officers of the Association shall be elected along with the directors by the Members at the annual Association meeting.

Section 3. Term. Each officer of the Association shall hold office for one (1) term unless he shall sooner resign, or shall be removed, or otherwise shall be disqualified to serve. The term shall begin when elected at the Annual Meeting pursuant to Section 1 of Article V and shall end at the subsequent Annual Meeting. Officers may be reelected for subsequent term(s).

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in the office of President shall be filled by the Vice President. A vacancy in any other office shall be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaced.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

(a) The **President** shall preside at all meetings of the Board of Directors, see that order and resolutions of the Board are carried out, sign all leases, mortgages, deeds of trust, deeds and other written instruments co-sign all checks and promissory notes, and exercise and discharge such other duties as may be required of him by the Board.

(b) The **Vice-President** shall act in the place and stead of the president in the event of his absence, resignation, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) The **Secretary** shall record the votes and keep the minutes at all meetings and proceedings of the Board and of the Members, keep the corporate seal of the Association and affix it on all papers requiring said seal, serve notice of meetings of the Board and of the Members, keep current records showing the Members and their addresses, and perform such other duties as required by the Board.

(d) The **Treasurer** shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors, co-sign all checks and promissory notes of the Association, keep proper books of account, where directed by the Board, cause an annual audit of the Association's books to be made by a certified independent public accountant at the completion of each fiscal year, and prepare an annual budget and a statement of income and expenditures.

ARTICLE X PROPERTY RIGHTS

Every Member shall have a right and easement of use and enjoyment in and to the Common Area and Amenities thereon, which shall be appurtenant to and shall not be separated from title to the Owner's Lot, subject to the following provisions:

(a) The right of the Association to require the use of, and to charge reasonable admission and other fees for the use of, Common Area and Amenities.

(b) The right of the Association to suspend the voting rights, and the right to use any Common Area and Amenities, by an Owner for any period during which any Assessment against his Lot remains unpaid, and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations; provided that no Owner will be denied access to his Lot and the right to park his vehicles in the Common Area designated for parking.

(c) The right of the Association, with the written consent of two-thirds (2/3) of each class of Members, to borrow money for the purpose of improving the Common Area; provided, any mortgage permitted by law shall be subject to the rights and easements of the Members and the Association in the Common Area.

(d) The right of the Developer and/or Association, to dedicate, transfer or exchange all or any part of the Common Area to any public agency, authority, public service district, utility, or private person or other entity for such purposes and subject to such conditions as may be agreed by the Members provided no such gift or sale shall be effective unless authorized by the affirmative vote of three fourths (3/4) of the votes cast at a duly called meeting of the Association.

(e) The right of the Association to formulate, publish, impose and enforce rules and regulations for the use and enjoyment of the Common Area and Amenities, which rules and regulations may further restrict the use of the Common Area.

(f) The right of the Association to borrow money for the purpose of improving and/or maintaining the Common Area and Amenities.

(g) The right and easement of enjoyment to the Common Areas and Amenities shall be limited to the Member, his spouse, his children under age twenty-five (25) permanently residing with the Member.

(h) The right and easement of enjoyment to the Common Area and Amenities is limited by and subject to all existing rights-of ways and easements to public utilities and the like.

ARTICLE XI ASSESSMENTS

Section 1. Creation of Lien; Personal Obligation. Each Member shall pay to the Association:

- (a) Annual Assessments; and
- (b) Special Assessments levied pursuant to this Article.

The annual and special Assessments, together with interest, fines, reasonable attorney fees, and other costs of collection incurred by the Association shall be a charge and continuing lien upon the Lot against which each such Assessment is made and shall be the personal obligation of the Owner of said Lot at the time the Assessment first came due and payable. The personal obligation shall not pass to owner's successor in title unless expressly assumed by such successor.

Section 2. Purpose of Assessments. The Assessments levied by the Association shall be used exclusively for the payment of Common Expenses and for the establishment of reserves for future needs.

Section 3. Reserve Fund. The Association is required to establish and maintain an adequate reserve fund for the Common Expenses. The fund shall be maintained out of annual Assessments.

Section 4. Amount of Assessment.

(a) Initial Assessment. Subject to Section 6 below, until the initial regular meeting of the Board, the annual Assessment shall not exceed \$180.00 for each Lot in Use, the exact amount of which shall be determined, from time to time, as provided in subsection (d) of this Section.

(b) Increase by Board. Beginning with the initial regular meeting of the Board of Directors, the annual Assessment for any year may be increased by the Board, without a vote of the Members, by a percentage not in excess of fifteen percent (15%) of the previous year's annual Assessment.

(c) Increase by Members. From and after January 1, 2009 the annual assessment may be increased by a percentage greater than fifteen percent (15%) by the affirmative vote of at least two-thirds (2/3) of each class of Members who are voting, in person or by proxy, at a duly called special meeting as provided in the Bylaws.

(d) Criteria for Establishing Annual Assessments. In establishing the annual Assessment for any year, the Board shall set the annual Assessment high enough to cover all current Common Expenses, any accrued debts, and reserves for future needs.

Section 5. Special Assessments. In addition to the annual Assessment, the Association may levy, subject to Section 6 below, a special Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the costs of any construction, maintenance, reconstruction, repair or replacement of any improvement or vegetation upon the Common Area, including the necessary fixtures and personal property related thereto; provided, however, any such Assessment shall have the assent of at least two-thirds (2/3) of each class of Members who are voting, in person or by proxy, at a duly called special meeting as provide in the Bylaws.

Section 6. Uniform Rate Of Assessment. Both annual and special Assessment shall be fixed at a uniform rate for all Lots.

Section 7. Commencement of Annual Assessment;. Due Date. Assessments shall become due and payable on the first day of January for said year.

Section 8. Receipt of Payment. The Association, upon a request from a Member, shall furnish a written receipt, signed by an officer of the Association, setting forth whether the Assessment on a specified Lot has been paid. A properly executed receipt shall be binding upon the Association as of the date of its issuance. A reasonable charge may be made by the Association, if more than one receipt per lot is issued in a calendar year.

Section 9. Effect of Nonpayment of Assessments. Any Assessment or other charge not paid when due shall be delinquent.

If the Assessment is not paid within thirty (30) days after the due date:

(a) the Assessment shall bear interest, from the due date, at the rate of eighteen percent (18%) per annum, and shall be subject to a late charge of \$25.00;

(b) the Assessment together with the interest due and the Association's costs of collection (including reasonable attorney fees) shall become a charge and continuing lien on the Lot and all improvements thereon;

(c) the Association may bring an action at law against Owner to collect such delinquent Assessment, late charges, interest, fines, reasonable attorney's fees, and other costs of collection, or foreclose its lien against the Lot for such Assessment and additional charges.

No Owner may waive or otherwise avoid liability for the Assessments and other charges provided for herein by nonuse of the Common Area or abandonment of his Lot.

Section 10. Subordination of the Lien to Mortgages. The lien of the Assessments provided for herein shall be subordinate to the lien of any mortgages now or hereafter placed upon a Lot. The sale or transfer of any Lot shall not affect the Assessment lien on said Lot; however, the sale or transfer of any Lot pursuant to a mortgage foreclosure, or any proceeding in lieu thereof, shall extinguish the lien of such Assessment as to those payments becoming due prior to such sale or transfer. No sale or transfer shall relieve any Lot from liability for any Assessment or charge becoming due after said sale or transfer.

Section 11. Fines Designated as Assessments. The Board may impose fines against any Lot for violation of the Declaration, Bylaws, or regulations promulgated pursuant thereto, and such fines shall be treated as an Assessment due to the Association, and shall be the personal obligation of the Lot Owner and a lien against the Owner's Lot. Fines shall be paid within thirty (30) days after notice of the assessment of the fines. These fines shall not be construed to be exclusive and shall exist in addition to all other rights and remedies to which the Association may be otherwise legally entitled; however, any fine paid by the offending Owner shall be deducted from or offset against any damages that the Association may otherwise be entitled to recover from such Owner. The fines that the Board may impose shall be as follows:

(a) First violation: not more than Fifty Dollars (\$50.00).

(b) Second and subsequent non-compliance or violation: not more than One Hundred Dollars (\$100.00) for each non-compliance or violation.

(c) Violations of a continuing nature: not more than One Hundred Dollars (\$100.00) for each week of continued violation.

Section 12. Quorum. The presence at the meeting of Members entitled to cast, or proxies entitled to cast, one-third (1/3) of the votes of each class of Members shall constitute a quorum for the purposes of the actions to be taken pursuant to Sections 4(c) and 5 of this Article.

ARTICLE XII INSURANCE

Section 1. Association Coverage. The Board shall procure and maintain public liability and property damage insurance insuring each Board member, the officers and the Association against any liability to the public and the Owners (including their invitees, agents' and employees) arising out of or incident to the ownership or use of the Common Areas and Amenities, or such other areas for which the Association is responsible. The insurance shall be issued on a comprehensive liability basis and shall contain a cross liability endorsement under which the rights of each named insured under the policy shall not be prejudiced with respect to his action against another named insured. The amount of such public liability insurance shall be determined by the Board but shall not be less than \$1 million per occurrence with regard to the Association and each individual director and officer. The Board shall also obtain such other insurance coverage as it determines, from time to time, to be desirable and reasonable including, without limitation, fire and other hazards insurance, with extended coverage endorsement, equal to the maximum insurable replacement value on any building or structure owned by the Association. The premiums shall be a Common Expense.

Section 2. Common Area Policies. All insurance policies upon the Common Area shall be for the benefit of the Association, the owners and their mortgagees, as their interest may appear.

Section 3. Fidelity Bond. All persons responsible for or authorized to expend funds or otherwise deal in the assets of the Association, shall first be bonded by a fidelity insurer to indemnify the Association for any loss or default in the performance of their duties in an amount equal to at least one-half the total annual Assessment. The cost of such coverage and bonds shall be a Common Expense.

Section 4. Proceeds. The proceeds of all contracts of insurance purchased by the Association shall be payable to the Board as insurance trustee under this Declaration.

ARTICLE XIII TERMINATION OF ASSOCIATION

Section 1. Dissolution. The Association may be dissolved with the assent given in writing and signed by not less than three-quarters of each class of members.

Section 2. Transfer of Assets. If the Association is dissolved, all Common Area, Amenities, and other properties owned by the Association at such time shall be transferred to a Trustee appointed by the appropriate court of York County, South Carolina, which Trustee shall own and operate said land for the use and benefit of owners within the Property as follows:

(a) Each Lot shall be subject to an annual Assessment which shall be paid by the Owner of each Lot or to the Trustee. The amount of such annual Assessment and its due date shall be determined solely by the Trustee, but the amount of such annual Assessment shall not exceed the amount actually assessed against the Lot in the last year Assessments were levied by the Association, subject to the adjustments set forth in paragraph (b) below.

(b) The amount of the annual Assessment which may be charged by the Trustee hereunder on any particular lot or parcel shall be automatically increased each year by five percent (5%).

(c) Any past due annual Assessment together with interest thereon at a rate of eighteen percent (18%) per annum from the due date and all costs of collection including reasonable attorney's fees shall be a personal obligation of the Lot Owner at the time the annual Assessment becomes past due, and shall constitute and become a charge and continuing lien on the Lot and all improvements thereon, against which the Assessment has been made, in the hands of the then Owner, his successors and assigns.

(d) The Trustee shall be required to use the funds collected as annual Assessments for the operation, maintenance, repair and upkeep of the Common Area and Amenities. The Trustee may charge, as part of the costs of such functions, the reasonable value of its services in carrying out the duties herein provided for. The Trustee is not obligated to provide for operation, maintenance, repair and upkeep of the Common Area and Amenities, if the funds provided by the annual Assessment have been exhausted.

(e) The Trustee shall have the power to dispose of the Common Area and Amenities free and clear of the limitations imposed hereby; upon the written approval of fifty-one percent (51%) of the Lot Owners, or upon a finding by the appropriate court of York County, South Carolina that such disposal is in the best interest of the Lot Owners. The proceeds of such a sale shall first be used for the payment of any debts or obligations constituting a lien on the Common Area or Amenities, then for the payment of any obligations incurred by the Trustee in the operation, maintenance, repair and upkeep of such properties, then distributed equally among the Lot Owners.

ARTICLE XIV AMENDMENTS

Subject to Article XV, Section 3 below, these By-Laws may be amended, at a regular or special meeting of the Members, by a vote of a majority of the members present, in person or by proxy.

ARTICLE XV MISCELLANEOUS PROVISIONS

Section 1. Committees.

(a) Architectural Review Committee. The Association shall appoint an Architectural Review Committee as provided in the Restrictive Covenants.

(b) Nominating Committee. The Board shall appoint a Nominating Committee as provided in Article V above.

(c) Other Committees. The Board shall appoint other committees as deemed appropriate.

Section 2. Fiscal Year. The fiscal year of the Association shall begin January 1 of each year and end on December 31 of the same year, except that the initial fiscal year shall begin on the date of the Association's incorporation.

Section 3. FHA/VA Approval. As long as there is a Class B member and a Lot that is encumbered by a mortgage insured by the FHA or guaranteed by the VA, the following actions require approval of the FHA or the Veterans Administration, as the case may be:

(a) annexation of additional land (not otherwise in conformance with any development plan as approved by FHA and /or VA),

(b) mergers and consolidations of the Association,

(c) mortgaging of any portion of the Common Area or Amenities,

(d) amendment of the Declarations affecting any Lot,

(e) amendment of the Association's Articles of Incorporation or By-laws, and,

(f) dissolution of the Association.