

TO MASTER DEED OF Tennis Club VILLAS HORIZONTAL PROPERTY REGIME

BYLAWS

THESE BYLAWS of Tennis Club Villas Horizontal Property Regime (Regime) are promulgated pursuant to the Horizontal Property Act of South Carolina (Act) for the purpose of governing the Council of Co-owners (Council) and the administration of the Regime. All terms not defined in these Bylaws have the meaning set out in the Act or the Master Deed.

ARTICLE I
COUNCIL OF CO-OWNERS

Section 1.01 Membership. Each Co-owner shall be a member of the Council. A person who holds title to a Villa or the Utility/Storage Unit merely as security for payment of a debt shall not be a member entitled to exercise the rights of a Co-owner unless such person holds a proxy conferring such rights.

Section 1.02 Quorum. The presence of Co-owners owning fifty-one per cent of the value of the Property shall constitute a quorum for the transaction of business at meetings of the Council, and any absent Co-owner who does not execute and return the proxy form sent to him in the registered mailing referred to in Section 1.04 of this Article shall be deemed to be present for the purposes of determining the presence of a quorum. From the time of the recording of the first deed in any additional phase, all the Co-owners in the additional phase shall be included when determining a quorum.

Section 1.03 Voting. On all matters relating to the Regime upon which a vote of the Co-owners is conducted, each Co-owner shall be entitled to cast the number of votes set out in Exhibit "D" attached hereto and incorporated by reference. The affirmative vote of the Co-owners owning fifty-one percent (51%) or more of the value of the Property shall be required to adopt decisions unless the Master Deed or these Bylaws require a different percentage for a particular act or decision. Votes can be cast only at meetings of the Council convened in accordance with the Bylaws, and in the absence of a valid proxy, an individual shall act in his own behalf, a corporation shall act by any officer thereof, a partnership shall act by any general partner thereof, an association shall act by any associate thereof, a trust shall act by any trustee thereof, and any other legal entity shall act by any managing agent thereof. The failure of an absent Co-owner to execute and return the proxy form sent to him in the registered mailing referred to in Section 1.04 of this Article shall constitute a proxy to and for the majority present and voting. When a Co-owner consists of two or more persons, any one of such persons shall be deemed authorized to act for all in taking any action on behalf of such Co-owner unless another of such persons objects, in which case the vote which such Co-owner would otherwise be entitled to cast may not be cast. All votes appurtenant to a single Villa or the Utility/Storage Unit must be cast together and may not be split.

Section 1.04 Proxies. Any Co-owner may by written proxy designate an agent to cast his vote. Unless a proxy otherwise states, it shall be deemed to confer the authority to execute consents and waivers and to exercise the right to examine the books and records of the Council. A proxy may be revocable or irrevocable but shall be deemed revocable at will unless otherwise specified therein. No proxy shall be honored until delivered to the Secretary of the Council. If at least thirty days prior to a duly called meeting a Co-owner is informed by registered mail of (a) the time and place of the meeting, (b) the agenda for the meeting, and (c) such data as is then available relative to issues on which there will be a vote, and a proxy form is included in such mailing, and the Co-owner neither attends the meeting nor returns his executed proxy, then such Co-owner shall be deemed to have given his proxy to and for the majority present and voting.

Section 1.05 Consents. Any action which may be taken by a vote of the Co-owners may also be taken by written consent to such action signed by all Co-owners.

Section 1.06 Initial Meeting. The initial meeting of the Council shall be held upon call by the Manager (Article IV) as soon as the Manager deems practicable and convenient after Villas representing fifty-one (51%) percent or more in common interest shall have been conveyed by the Grantor. The following matters, and such other business as the Manager may deem appropriate, shall be taken up at the initial meeting:

- a) adoption of a fiscal year, if other than as set forth in Section 5.01 hereof,
- b) approval of a budget for the fiscal year,
- c) determination of the General Assessment and the date upon which it is due and payable,
- d) determination of the date of the first and subsequent annual meetings, and
- e) the election of the initial, three-person Board of Directors in accordance with Article II of these Bylaws.
- f) determination of whether or not the Council shall be incorporated.

Section 1.07 Annual Meetings. The annual meeting of the Council shall be held on a date determined by the Council. Any business which is appropriate for action of the Co-owners may be transacted at an annual meeting.

Section 1.08 Special Meetings. Special meetings of the Council may be called at any time by the President of the Council or by a majority of the Board of Directors and shall be called upon the written request of Co-owners owning a majority of the value of the Property. Only such business as is stated in the notice of meeting shall be transacted at a special meeting unless all Co-owners waive notice of any additional business.

Section 1.09 Notice of Meetings. Written notice of every annual or special meeting of the Council stating the time, date, and place of the meeting and, in the case of a special meeting, the business proposed to be transacted, shall be given to every Co-owner not fewer than ten nor more than thirty days in advance of the meeting; provided, however, that notice may also be given as described in Section 1.04 of this Article. Failure to give proper notice of a meeting of the Co-owners shall not invalidate any action taken in such meeting unless (a) a Co-owner who was present but was not given proper notice objects at such meeting, in which case the matter to which such Co-owner objects shall not be taken up, or (b) a Co-owner who is not present and was not given proper notice objects in writing to the lack of proper notice within thirty days following such meeting, in which case the action to which such Co-owner objects shall be void.

Section 1.10 Waiver of Notice. Waiver of notice of a meeting of the Council shall be deemed the equivalent of proper notice. Any Co-owner may in writing waive notice of any meeting either before or after such meeting. Attendance at a meeting by a Co-owner, whether in person or by proxy, shall be deemed waiver by such Co-owner of notice of the time, date, and place of the meeting unless such Co-owner specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted unless objection to lack of notice is raised before the business of which proper notice was not given is put to a vote.

Section 1.11 Place of Meeting. All meetings of the Council shall be held at such convenient place on Kiawah Island as the Board of Directors may direct.

Section 1.12 Adjournment. Any meeting of the Council may be adjourned from time to time for periods not exceeding forty-eight hours by vote of Co-owners holding a majority of the vote represented at such meeting, regardless of whether a quorum is present. Any business which could properly be transacted at the original session of a meeting may be transacted at an adjourned session, and no additional notice of adjourned sessions shall be required.

Section 1.13 Order of Business. The order of business at all meetings of the Co-owners shall be as follows:

- a) Roll call;
- b) Proof of proper notice of the meeting or waiver of notice;
- c) Reading of minutes of preceding meeting;
- d) Report of the Board of Directors;
- e) Reports of officers;
- f) Reports of committees;
- g) Report of Manager;

- h) Election of Directors;
- i) Unfinished business; and
- j) New business.

Section 1.14 Minutes of Meeting. The Secretary of the Council shall prepare and keep, or cause to be prepared and kept, accurate minutes of every meeting of the Council. Such minutes shall be made available for examination and copying by any Co-owner at any reasonable time.

ARTICLE II
BOARD OF DIRECTORS OF THE COUNCIL

Section 2.01 Form of Administration. The Council shall act by and through its Board of Directors.

Section 2.02 Authorities and Duties. On behalf of and as directed by the Council, and as required by the Act, the Master Deed, and these Bylaws, the Board of Directors shall provide for the following:

- a) the contracting with a management agent to provide for the surveillance of the Property, the maintenance, repair, and replacement of the Common Elements, and the designation and dismissal of the personnel necessary to accomplish the same; the collection of assessments from the Co-owners;
- b) the procuring and keeping in force of insurance on the Property;
- c) the enactment of reasonable regulations governing the operation and use of the Common Elements;
- d) the enforcement of the terms of the Master Deed, these Bylaws, and any Regulations promulgated pursuant to the Bylaws; and
- e) the administration of the Council and the Regime on behalf of and for the benefit of all Co-owners.

Section 2.03 Qualification. Only an individual who is a Co-owner, or who together with another person or other persons is a Co-owner, or who is an officer of a corporation, a general partner of a partnership, an associate of an association, a trustee of a trust, or a managing agent of any other legal entity which is a Co-owner, or which together with another person or other persons is a Co-owner, may be elected and serve or continue to serve as a Director of the Council. The number of Directors provided at any one time by a Co-owner which is an organization or which consists of more than one individual shall not exceed the number of apartments owned by such Co-owner.

Section 2.04 Election and Term. The initial Board of Directors shall consist of three people who shall be elected at the initial meeting of the Council and shall serve until the first annual meeting of the Council. At the first annual meeting the Co-owners shall elect five Directors, three for a term of two years (to be elected in one election) and two for a term of one year (to be elected in a second election). At each subsequent annual meeting, Directors shall be elected for two-year terms to succeed the Directors whose terms expire at the meeting. A plurality of the votes cast shall be sufficient to elect a Director in any election. A Director may be elected to succeed himself, and a Director shall be deemed to continue in office until his successor has been elected and has assumed office.

Section 2.05 Removal. A Director may be removed from office with or without cause by the vote of the Co-owners.

Section 2.06 Vacancies. Any vacancy on the Board of Directors shall be filled by appointment by the majority of the remaining Directors, and the new Director shall serve for the unexpired term of his predecessor.

Section 2.07 Voting. Each Director shall have one vote on all matters acted upon by the Board of Directors. The affirmative vote of three Directors shall be sufficient for any action unless otherwise specified in the Master Deed or these Bylaws.

Section 2.08 Quorum. Three Directors shall constitute a quorum for the transaction of business.

Section 2.09 Consents. Any action which may be taken by a vote of the Board of Directors may also be taken by written consent to such action signed by all Directors.

Section 2.10 Referendum. Any decision voted by the Council shall be binding upon the Board of Directors and shall supersede any previous inconsistent action or make invalid any subsequent inconsistent action taken by the Board of Directors, but no such action by the Co-owners shall impair the enforceability of any contract duly authorized or entered into by the Board of Directors pursuant to authority granted in the Act, the Master Deed, or these Bylaws.

Section 2.11 Annual Meetings. An annual meeting of the Board of Directors shall be held each fiscal year within thirty days preceding the annual meeting of the Council. Any business which is appropriate for action of the Board of Directors may be transacted at an annual meeting.

Section 2.12 Regular Meetings. Regular meetings of the Board of Directors shall be held at such times, dates, and places as the Board of Directors may determine from time to time. Any business which is appropriate for action of the Board of Directors may be transacted at a regular meeting.

Section 2.13 Special Meetings. Special meetings of the Board of Directors may be called from time to time by the President of the Council and shall be called upon the written request of two of the Directors. Only such business as is stated in the notice of meeting shall be transacted at a special meeting unless all Directors waive notice of any additional business.

Section 2.14 Notice of Meetings. Written notice of every regular or special meeting of the Board of Directors stating the time, date, and place of the meeting and, in the case of a special meeting, the business proposed to be transacted shall be given to every Director not fewer than three nor more than ten days in advance of the meeting. Failure to give proper notice of a meeting of the Board of Directors shall not invalidate any action taken at such meeting unless (a) a Director who was present but was not given proper notice objects at such meeting, in which case the matter to which such Director objects shall not be taken up, or (b) a Director who is not present and was not given proper notice objects in writing to the lack of proper notice within thirty days following such meeting, in which case the action to which such Director objects shall be void.

Section 2.15 Waiver of Notice. Waiver of notice of a meeting of the Board of Directors shall be deemed the equivalent of proper notice. Any Director may in writing waive notice of any meeting of the Board of Directors either before or after such meeting. Attendance at a meeting by a Director shall be deemed waiver by such Director of notice of the time, date, and place of the meeting unless such Director specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted unless objection to lack of notice is raised before the business of which proper notice was not given is put to a vote.

Section 2.16 Place of Meeting. All meetings of the Board of Directors shall be held at such convenient place as the Board may select. Meetings may be conducted by telephone if all Directors consent.

Section 2.17 Minutes of Meetings. The Secretary of the Council shall prepare and keep, or cause to be prepared and kept, accurate minutes of every meeting of the Board of Directors. A copy of such minutes shall be distributed to each Co-owner within thirty days following each meeting, and all such minutes shall be made available for examination and copying by any Co-owner at any reasonable time.

Section 2.18 Compensation. The Directors may receive such compensation and reimbursement for expenses incurred in the conduct of their duties as the Council may determine.

ARTICLE III OFFICERS OF THE COUNCIL

Section 3.01 Designation. The Council shall have a President, a Vice President, and a Secretary-Treasurer. The officers shall have the

authority, powers, duties, and responsibilities provided by these Bylaws, or, to the extent not so provided, by the Board of Directors.

Section 3.02 Qualifications. Only Directors may be elected and serve as officers.

Section 3.03 Election and Term. Officers of the Council shall be elected at each annual meeting of the Board of Directors and at such other times as may be required to fill vacancies in any office. All officers shall serve until their successors have been elected and assumed office unless sooner removed as hereinafter provided. An officer may be re-elected to any number of terms.

Section 3.04 Removal. Any officer may be removed from office at any time with or without cause by the Board of Directors.

Section 3.05 President. The President shall be the chief executive officer of the Council. He shall preside at all meetings of the Council and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in a corporate president, including but not limited to the power to appoint committees from among the Co-owners from time to time as he may in his discretion deem appropriate to assist in the conduct of the affairs of the Council.

Section 3.06 Vice President. The Vice President shall take the place and perform the duties of the President whenever the President shall be absent or unable to act. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 3.07 Secretary-Treasurer. The Secretary-Treasurer shall prepare and keep, or cause to be prepared and kept, the minutes of all meetings of the Co-owners and of the Board of Directors, and shall have charge of such books and papers as the Board of Directors may direct. The Secretary-Treasurer shall have custody of and responsibility for Council funds and securities and shall keep the financial records and books of account belonging to the Council. Custody of Council funds and securities and responsibility for maintaining full and accurate accounts of all receipts and disbursements may be delegated to the Manager if the Board of Directors so determines, but in such case the Secretary-Treasurer shall verify the amount of Council funds and securities in the custody of the Manager and review and reconcile the accounts maintained by the Manager at such intervals as may be determined by the Board of Directors.

Section 3.08 Compensation. The officers may receive such compensation and reimbursement for expenses incurred in the conduct of their duties as the Council may determine.

ARTICLE IV MANAGER

Section 4.01 Employment. Kiawah Island Company Limited or its designee shall be employed by the Council as the Manager of the Regime until and including December 31, 1983; provided, however, that Kiawah Island Company Limited or its designee may consent to serve for a shorter time. After such period of time, the Council shall employ a management agent entirely of its own choosing.

Section 4.02 Qualification. The Manager may be a natural person or a corporation or other legal entity. No individual who is a Director or an officer of the Council or who resides in the home of a Director or an officer of the Council shall be the Manager.

Section 4.03 Authority and Duties. The Manager shall provide the services and perform the duties set out in Article II, Section 2.02 (a) of these Bylaws, and shall provide such other services and perform such other duties (including, but not limited to, those enumerated in Article II, Section 2.02 subsections a, b, c, e and f) as authorized and directed from time to time by the Board of Directors. The Manager shall confer fully and freely with the Board of Directors and shall attend meetings of the Board and of the Council when requested to do so by the Board. Until such time as the first Board of Directors is elected at the initial meeting of the Regime, the Manager shall provide the services and perform the duties set out in Article II, Section 2.02 subsections a, b, c, e and f.

ARTICLE V
FINANCES

Section 5.01 Fiscal Year. The fiscal year of the Regime shall be November 1 through October 31 unless otherwise determined by the Council.

Section 5.02 Budget. The Board of Directors shall prepare and submit, or cause to be prepared and submitted, to the Co-owners at their annual meeting a proposed budget for the Regime for the fiscal year. The proposed budget shall set forth with particularity the anticipated Common Expenses for the fiscal year and the amount of money needed to establish reasonable reserves for the payment of Common Expenses and contingencies.

Section 5.03 Approval of Budget. The proposed budget, as it may be amended upon motion of any Co-owner, shall be submitted to a vote of the Co-owners and when approved shall become the budget (Budget) of the Regime for the fiscal year. The terms of the Budget shall be binding upon the Board of Directors unless and until such terms are amended by action of the Co-owners.

Section 5.04 General Assessments. The funds required by the Budget shall be collected from the Co-owners in assessments (General Assessments) in proportion to their respective interests in the Common Elements as set out in Exhibit "D" attached hereto and incorporated by reference, and the General Assessments shall be payable as and when determined by the Council, but in no event shall General Assessments be collected in installments more frequent than quarterly. The contribution of Co-owners toward the expense of the premium for insurance policies as herein provided for may be collected in one (1) yearly assessment, in addition to other assessments, which assessment shall be treated as part of the General Assessments.

Section 5.05 Special Assessments. The funds required from time to time to pay any Common Expenses which are not covered by the Budget but which are approved by the Co-owners shall be collected from all the Co-owners by the Board of Directors in such installments (Special Assessments) as the Co-owners shall determine.

Section 5.06 Individual Assessments. Any payments to the Council which one or more, but fewer than all, of the Co-owners shall be obligated to make pursuant to the terms of the Act, the Master Deed, or these Bylaws shall be due upon demand and shall be collected by the Board of Directors as individual assessments (Individual Assessments).

Section 5.07 Collection. Co-owners shall be personally liable for and promptly pay all assessments when due. If the assessments are not paid on the date when due (being the date specified by the Board), then such assessments shall become delinquent and shall (together with the cost of collection as hereinafter provided) become a charge and continuous lien on the property against which such assessment is made. The Board of Directors shall take prompt and appropriate action to collect by suit, foreclosure, or other lawful method any overdue assessment. If any overdue assessment is collected by an attorney or by action at law, the Co-owner owing the same shall be required to pay all reasonable costs of collection, including attorney's fees.

Section 5.08 Penalty. An assessment not paid within fifteen days following the date when due shall be charged a Delinquent Payment Penalty of two percent (2%) of the unpaid balance of the assessment per month and each month thereafter on the unpaid balance until the assessment is paid in full. The Delinquent Payment Penalty shall be added to and collected in the same manner as the assessment. The Board of Directors may in its discretion waive all or any portion of the Delinquent Payment Penalty pursuant to this Section if it affirmatively appears that the failure to pay the assessment when due was caused by circumstances beyond the control of the Co-owner.

Section 5.09 Accounts. The Board of Directors shall maintain on behalf of the Council a checking account with a state- or federally-chartered bank having an office in the county where the Property is situated. The Board of Directors may also maintain on behalf of the Council an interest-bearing savings account with a state- or federally-chartered bank, savings and loan association, or building and loan association. Funds of the Council may also be invested in any instrument, obligation or security (or fund comprised solely of said instruments or securities) which

is insured by the United States Government, or guaranteed by the full faith and credit of the United States Government, a state government, or any local governmental entity. If a Manager is employed, said accounts may be maintained in the name of the Manager as agent of the Council. All funds of the Council shall be promptly deposited in one of said accounts, except that the Board of Directors may maintain a petty cash fund of not more than two hundred fifty dollars for payment of minor current expenses of the Council. The books and records relating to any account of the Council shall be made available for examination and copying by any Co-owner at any reasonable time.

Section 5.10 Payments. The Board of Directors shall provide for payment of all debts of the Council from the funds collected from the Co-owners. Expenditures specifically approved in the budget may be paid without further approval unless the Board of Directors shall otherwise determine. All other expenditures which are in excess of two hundred fifty dollars shall be reviewed and approved by the President or the Board of Directors before payment is made. All checks and requests for withdrawals drawn upon any account of the Council shall be signed by the President and the Treasurer or by any two officers of the Council designated by the Board of Directors. The Board of Directors may authorize the Manager to draw checks upon the account of the Council. The Board of Directors may also authorize the Manager to make disbursements from the petty cash fund, if any.

Section 5.11 Bonding. The Board of Directors shall secure a fidelity bond in an amount of not less than ten thousand dollars covering every individual authorized to withdraw funds from any checking or savings account maintained by the Council. The cost of the bond shall be a Common Expense.

Section 5.12 Special Rules for Assessments for Initial Fiscal Year (FY1983). The provisions of this Section 5.12 shall exclusively govern and be applicable to the initial fiscal year (FY 1983) of the Regime, which shall consist of the period from and including the date of recording of this Master Deed in the R.M.C. Office for Charleston County, S.C., through October 31, 1983.

General Assessments (excluding assessments for insurance premiums on the Regime insurance policy) due and payable for and during FY 1983 shall be based upon the budget attached hereto as Exhibit "F" and incorporated herein by reference. The assessments shall be apportioned from the date of recording of this Master Deed and shall be prorated as of the first day of the month following the date of conveyance of a Villa from the Grantor (as defined in the Master Deed) according to the number of days then remaining in the applicable assessment period (quarterly for FY 1983). The grantee shall be responsible for payment of assessments so prorated when billed therefore by the Manager.

Grantor shall be responsible for all actual operating expenses above funds collected from Co-owners for a period of one year from the date of recording of this Master Deed. Assessments shall commence as to Villas then owned by Grantor on November 1, 1983.

At the time title is conveyed to a Co-owner by the Grantor, such Co-owner shall pay to the Regime an assessment for insurance premiums on Regime policies in proportion to his respective interest in the Common Elements as set out in Exhibit "D" according to the number of days then remaining in the policy period. The initial Regime insurance premiums are paid in total by the Grantor and the sums collected from the purchaser at each closing are to be reimbursed to the Grantor.

ARTICLE VI MAINTENANCE AND IMPROVEMENTS

Section 6.01 Maintenance by Manager. The Manager shall provide for the maintenance, repair, and replacement of the Common Elements.

Section 6.02 Maintenance by Co-owners. The Villas and the Utility/Storage Unit shall be maintained in good condition and repair by their respective owners.

Section 6.03 Default by Co-owner. In the event that any Co-owner fails to perform the maintenance required of him by these Bylaws or by any lawful Regulation, and such failure creates or permits a condition which is hazardous to life, health, or property, which unreasonably interferes with

the rights of another Co-owner, or which substantially detracts from the value or appearance of the Property, the Board of Directors shall, after giving such Co-owner reasonable notice and opportunity to perform such maintenance, cause such maintenance to be performed and charge all reasonable expenses of doing so to such Co-owner by an Individual Assessment.

Section 6.04 Expenses. The expenses of all maintenance, repair, and replacement of the Common Elements provided by the Manager shall be Common Expenses, except that when such expenses are necessitated by (a) the failure of a Co-owner to perform the maintenance required by these Bylaws or by any lawful Regulation, (b) the willful act, neglect, or abuse of a Co-owner, or (c) an uninsured loss which is to be borne by a Co-owner in accordance with Article VII of these Bylaws, they shall be charged to such Co-owner by an Individual Assessment.

Section 6.05 Improvements. The Board of Directors shall provide for the making of such improvements to the Common Elements as may be approved from time to time by the Co-owners. The cost of such improvements shall be Common Expenses; provided, however, that no Co-owner shall without his consent be assessed in any one year an amount in excess of one per cent of the value of his Villa or the Utility/Storage Unit (as set out in Exhibit "D") for the making of improvements to the Common Elements.

ARTICLE VII RECONSTRUCTION

Section 7.01 Reconstruction. Unless the Co-owners affirmatively determine in the manner provided in the Master Deed not to reconstruct the Property following damage or destruction thereof, the Board of Directors shall promptly provide for such reconstruction. If the cost of such reconstruction exceeds ten thousand dollars, the Board of Directors shall employ an architect licensed to practice in the jurisdiction in which the Property is situated to supervise the reconstruction. It shall be the duty of such architect to inspect the progress of the reconstruction at regular intervals and to submit written authorizations to the Council for payment for work performed. When an architect is not required by the terms hereof, the Board of Directors may perform such inspections and submit such authorizations.

Section 7.02 Costs. The Board of Directors shall employ for the purpose of reconstructing the Property the proceeds of any insurance obtained on the Property by the Board of Directors on behalf of the Council. When the Property is not insured or when the insurance proceeds are insufficient to cover the cost of reconstruction, the rebuilding costs shall be borne by all the Co-owners as a Common Expense.

ARTICLE VIII CONDEMNATION

Section 8.01 Rights of Co-Owners. If any portion of the Property is condemned by any authority having the power of eminent domain, each Co-owner shall be entitled to receive notice of such condemnation and to participate in the proceedings unless otherwise prohibited by law. Each Co-owner shall be entitled to an individual award to be determined by the value of his interest in the portion or portions of the Property condemned.

Section 8.02 Duties of Council. In the event that any award is received by the Council on account of condemnation of any portion or portions of the Common Elements, the Board of Directors shall hold such award for disbursement in the same manner as if it were insurance proceeds. The Board of Directors shall promptly call a special meeting of the Council to determine whether any condemned portion of the Common Elements shall be replaced. If the Council determines to replace any condemned portion of the Common Elements, the Board of Directors shall provide for the replacement of such portions in the same manner as if such portions had been destroyed by casualty.

ARTICLE IX INSURANCE

Section 9.01 Insureds. Insurance policies upon the Property, covering the items described below, shall be purchased by the Council or its Manager for the benefit of the Regime, the Council, and the Co-owners of the Villas and their mortgagees, as their interests may appear. Provision shall be

made for the issuance of certificates of insurance, with mortgagee endorsements, to the mortgagees of all Co-owners. Such policies and endorsements shall be deposited with and held by the Manager.

Section 9.02 Coverage. Insurance shall cover the following when available:

- a) the replacement value of all Villas and Common Elements. Such coverage shall afford protection against loss or damage by fire and other hazards covered by a standard extended coverage endorsement and against such other risks as are customarily covered with respect to buildings and improvements similar to the buildings and improvements on the Land. No insurance of the contents of or improvements to any Villa (other than the fixtures originally installed therein during construction) shall be provided by the Council;
- b) public liability in such amounts and with such coverage as shall be determined by the Board of Directors, including, but not limited to, hired automobile and non-owned automobile coverage;
- c) workmen's compensation (if required); and
- d) such other insurance as the Board of Directors may from time to time determine to be desirable.

Section 9.03 Premiums and Deductibles. Premiums upon insurance policies and that portion of any covered loss not compensated for because of the loss deductible clause of the policy shall be paid by the Council as a Common Expense, and shall be paid by the Co-owners in proportion to their respective interests in the Common Elements. The contribution of Co-owners toward the expense of the premium for such insurance may be collected in one (1) yearly assessment, in addition to other assessments.

Section 9.04 Claims Adjustment. The Board of Directors is hereby irrevocably appointed agent for each Co-owner to adjust all claims arising under insurance policies purchased by the Council or its Manager, and to execute and deliver releases upon payment of claims.

Section 9.05 Proceeds. The proceeds received by the Council from any indemnity paid under a hazard insurance policy shall be held by the Board of Directors. After deduction of all reasonable expenses of the Board in administering such proceeds, the net proceeds shall be distributed as follows:

- a) if the Property is not reconstructed as provided in Article X of the Master Deed, then each Co-owner shall Receive a share of the proceeds proportionate to his interest in the Common Elements as shown in Exhibit "D", in a check made jointly payable to the Co-owner and his mortgagee, if any; or
- b) if reconstruction takes place, then such proceeds shall be used to meet reconstruction costs as provided in Article X of the Master Deed and Article VII of these Bylaws, and any proceeds remaining after all the costs of reconstructing the Property have been paid shall be distributed to the Council for the benefit of all Co-owners.

Section 9.06 Insurance by Co-owners. Each Co-owner shall be responsible for obtaining such amounts of the following types of insurance as he deems necessary or desirable: (a) hazard insurance on his Villa and its contents for his own benefit, and (b) liability insurance covering accidents occurring within his Villa. Any Co-owner who obtains hazard insurance for his own benefit shall within thirty days of obtaining the same deliver to the Board of Directors a copy of the policy of insurance.

ARTICLE X RESTRICTIONS AND REGULATIONS

Section 10.01 Restrictions. The use of the Property shall be subject to the following restrictions:

- a. Villas shall be used only as residences. This restriction shall not be construed so as to prevent a Co-owner from leasing or renting his Villa to others, either short term or long term, or

listing his Villa with a rental agency to be rented by short term or long-term guests.

- b. The Utility/Storage Unit shall be used as set forth in Section 4.02 of the Master Deed.
- c. No Co-owner shall create or permit excessive noise, smoke, or offensive odors or any nuisance to unreasonably interfere with the use and enjoyment of the Property by any other person entitled to the same. No person shall maintain on the Property, and no Co-owner shall permit within his Villa or the Utility/Storage Unit any condition, which is unreasonably hazardous to the life, health, or property of any other person.
- d. Time Sharing Prohibited. "Time sharing", "vacation sharing" or similar plans or schemes of interval ownership of a Villa, including any type of Vacation Time Sharing Plan as defined by the 1976 Code of Laws for the State of South Carolina, as amended, §27-32-10 et seq., are prohibited with the prior express consent of the Kiawah Island Company Limited, and its successors and assigns, in writing. This Section does not apply to ownership of a Villa by a corporation, partnership, or person or persons owning a Villa individually or as joint tenants or as tenants in common.

In addition to the above and not as any limitation thereof, "time sharing" or "vacation sharing" means and shall include ownership of either: (1) an "interval estate" meaning a combination of (i) an estate for years in a Villa, during the term of which title to the Villa rotates among the time share owners thereof, vesting in each of them in turn for periods established by a fixed recorded schedule, with the series thus established recurring until the term expires, coupled with (ii) a vested undivided fee simple interest in the remainder in that Villa the magnitude of that interest having been established by the declaration or by the deed creating the interval estate; or (2) a "time-span estate," meaning a combination of (i) an undivided interest in a present estate in fee simple in a Villa, the magnitude of that interest having been established by the declaration or by the deed conveying the time-span estate, coupled with (ii) the exclusive right to possession and occupancy of that Villa during a regularly recurring period designated by that deed or by a recorded document referred to therein.

Section 10.02 Regulations. The Board of Directors may adopt and amend from time to time such reasonable regulations (Regulations) governing the operation and use of the Property as they may deem necessary or desirable. It shall not be necessary to record Regulations newly adopted or the amendment or repeal of existing Regulations, but no Co-owner shall be bound by any newly adopted Regulation or any amendment or repeal of an existing Regulation until a copy of the same has been delivered to him.

Section 10.03 Enforcement. The Board of Directors shall enforce the terms of the Act, the Master Deed, and these Bylaws and the Regulations promulgated pursuant hereto by taking prompt and appropriate action to correct any violations. In addition to any other remedy to which the Council or any Co-owner may be entitled, the Board of Directors may impose against a Co-owner reasonable fines not to exceed a total of ten dollars (\$10.00) per day for any violation of the terms of the Act, the Master Deed, these Bylaws, or the Regulations promulgated pursuant hereto. Such fines shall be collected by Individual Assessment. Each day during which a violation occurs or continues may be deemed a separate offense.

Section 10.04 Responsibility of Co-owners. Each Co-owner shall be deemed responsible for the conduct of members of his household and his tenants, agents, guests and pets, but the responsibility of the Co-owner shall not relieve any member of his household or any of his tenants, agents, or guests from any liability to the Council or to a Co-owner for their own acts.

ARTICLE XI LIABILITY AND INDEMNIFICATION

Section 11.01 Liability of Council. No Co-owner shall be liable for a greater percentage of a debt or liability of the Council than his percentage of ownership of the Common Elements. All correspondence of the Council and

all contracts executed by the Council shall incorporate the following recital:

Tennis Club Villas Council of Co-owners is an association established pursuant to the Horizontal Property Act of South Carolina. No member of the Council shall be liable for a greater percentage of a debt or liability of the Council than his percentage of ownership of the Common Elements.

Section 11.02 Indemnification Among Co-owners. Each Co-owner shall be entitled to contribution from and indemnification by every other Co-owner to the extent that such Co-owner discharges or is required to discharge any portion of any liability of the Council in excess of such Co-owner's proportionate share thereof, except that no Co-owner shall be required to provide contribution or indemnification on account of a debt which was due and payable prior to the time such Co-owner became a Co-owner.

Section 11.03 Liability of Directors and Officers. No Director or officer of the Council shall be liable to any Co-owner for any decision, action, or omission made or performed by such Director or officer in the course of his duties unless such Director or officer acted in bad faith or in reckless disregard of the rights of any person or of the terms of the Act, the Master Deed, or these Bylaws.

Section 11.04 Indemnification of Directors and Officers. The Council shall indemnify and defend each Director and each officer of the Council from any liability claimed or imposed against him by reason of his position or actions as a Director or an officer of the Council if all of the following conditions are satisfied:

- a) such Directors or officer is not required to bear such liability by the terms of the Act, the Master Deed, or these Bylaws;
- b) such Director or officer gives the Council adequate notice of the claim or imposition of liability to permit the Council reasonable opportunity to defend against the same; and
- c) such Director or officer cooperates with the Council in defending against the claim.

The expense of indemnifying a Director or an officer shall be a Common Expense and shall be borne by all the Co-owners, including such Director or officer, in equal shares.

ARTICLE XII ATTESTATIONS AND CERTIFICATIONS

Section 12.01 Attestation of Documents. The presence of the signature of the Secretary of the Council on any contract, conveyance, or any other document executed on behalf of the Council by another officer of the Council shall attest:

- a) that the officer of the Council executing the document does in fact occupy the official position indicated, that one in such position is duly authorized to execute such document on behalf of the Council, and that the signature of such officer subscribed on the document is genuine; and
- b) that the execution of the document on behalf of the Council has been duly authorized.

Section 12.02 Certification of Documents. When any document relating to the Property or the Council is certified as authentic by the Secretary of the Council, a third party without knowledge or reason to know to the contrary may rely on such document as being what it purports to be.

Section 12.03 Certification of Actions and Facts. When there is executed by the Secretary or an Assistant Secretary a written statement setting forth (a) actions taken by the Council or by the Board of Directors, or (b) facts relating to the Property or the Council as determined by the Board of Directors, a third party without knowledge or reason to know to the contrary may rely on such statement as factually true and correct.

ARTICLE XIII
AMENDMENTS

Section 13.01 By-Laws. These By-Laws may be amended as set forth in Article XI of the Master Deed.

ARTICLE XIV
MORTGAGES

Section 14.01 Notice to Board. A Co-Owner who mortgages his Villa shall notify the Board through the Manager of the name and address of his mortgagee. The Regime shall also accept and record such notification when received directly from the mortgagee; and the Regime shall maintain this information in a book entitled "Mortgagees of Villas."

Section 14.02 Notice of Unpaid Assessments. The Board shall, at the request of a mortgagee of a Villa, report any unpaid assessments due to the Regime from the Co-Owner of such Villa. When requested by terms of the initial correspondence filed pursuant to Section 14.01, the Board shall report to the mortgagee any unpaid assessments due the Regime from such Co-owner as soon as such assessments become delinquent.

ARTICLE XV
MISCELLANEOUS

Section 15.01 Record of Ownership. Any person who acquires title to a Villa (unless merely as security for a debt) shall promptly inform the Board of Directors of his identity and the date upon and the manner in which title was acquired. The Board of Directors shall maintain a record of the names of all Co-owners and of the dates upon which they acquired title to their Villas.

Section 15.02. Notices. Any notices or documents placed in the mail receptacle or affixed to the front door of a Villa by or at the direction of the Board of Directors shall be deemed delivered to the Co-owner of such Villa unless the Co-owner has previously specified to the Board of Directors in writing another address for delivery of such notices and documents. Any notice or document addressed to the Board of Directors and delivered to any Director by or at the direction of a Co-owner shall be deemed delivered to the Board of Directors.

Section 15.03 Waiver. No provision of these Bylaws or the Regulations promulgated pursuant hereto shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches which may have occurred.

Section 15.04 Conflicts. In the event of any conflict between these Bylaws and the Act or the Master Deed, the Act or the Master Deed shall control, as appropriate. In the event of a conflict between these Bylaws and the Regulations, these Bylaws shall control.

Section 15.05 Severability. The provisions of these Bylaws are severable, and the invalidity of one or more provisions hereof shall not be deemed to impair or affect in any manner the enforceability or effect of the remainder.

Section 15.06 Captions. Captions are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope of these Bylaws or the intent of any provision.

Section 15.07 Gender and Number. All nouns and pronouns used herein shall be deemed to include the masculine, the feminine, and the neuter, and the singular shall include the plural and vice versa, whenever the context requires or permits.

H26/b

a quorum of four or more Directors is established, unless otherwise specified in the Master Deed or these Bylaws.

2.08 Quorum. Two Directors shall constitute a quorum in the event the Board is composed of three Directors, and at least three Directors shall constitute a quorum in the event the Board is composed of four or five Directors.

2. Article IX, Section 9.03 is hereby amended to read as follows:

9.03 Premiums and Deductibles. Premiums upon insurance policies purchased by the Council and that portion of any covered loss not compensated for because of the loss deductible clause of the policy shall be paid by the Council as a Common Expense, and shall be paid by the Co-owners in proportion to their respective interests in the Common Elements; provided, however, if a Co-owner makes a claim for damages to the contents of a Villa or to property which is part of a Villa against the Council's policy, and the source of the damage is not due to any failure of a limited or general common element or to direct fault on the part of the Council, the Co-owner shall be responsible for paying any deductible under the loss deductible clause of said policy and said deductible shall not be a Common Expense.

In witness whereof, the undersigned has executed this instrument the date and year first above written.

TENNIS CLUB VILLAS COUNCIL OF CO-OWNERS, INC.

Barbara D. Quinn
Shelton Brumby

By: Kenneth L. Kaly
Its: PRESIDENT

STATE OF SOUTH CAROLINA)
)
COUNTY OF CHARLESTON)

PERSONALLY appeared before me the undersigned witness and made oath that (s)he saw the above named Tennis Club Villas Council of Co-Owners, Inc., by Kenneth Kaltz, its President sign, seal and as its act and deed, deliver the within instrument and that (s)he with the other witness whose signature appears above, witnessed the execution thereof.

SWORN to before me this
30th day of January, 1996.

Barbara S. J...

Aime Dawson Lawrence
Notary Public for South Carolina