

EXHIBIT "E"
TO MASTER DEED ESTABLISHING
3 CHISOLM STREET HORIZONTAL PROPERTY REGIME

BY-LAWS
OF
3 CHISOLM STREET HOMEOWNERS ASSOCIATION, INC.

SECTION I

IDENTITY: These are the By-laws of 3 CHISOLM STREET HOMEOWNERS ASSOCIATION, INC., a nonprofit corporation existing under the laws of the State of South Carolina (hereinafter sometimes called "Association"). The Association has been organized for the purpose of managing, operating and administering the 3 CHISOLM STREET HORIZONTAL PROPERTY REGIME (hereinafter sometimes called "Regime") established pursuant to the Horizontal Property Act of the State of South Carolina (hereinafter sometimes called the "Act"), on real property shown on a plat thereof recorded in Plat Book ____, Page ____, RMC Office for Charleston County, South Carolina, and located generally on the west side of Chisolm Street between Broad Street and Tradd Street in Charleston, South Carolina, and being more particularly described in the Master Deed establishing the said Horizontal Property Regime.

1. **OFFICE:** The office of the Association shall be on the premises of 3 CHISOLM STREET HORIZONTAL PROPERTY REGIME, or at such other place as the Association shall select.
2. **FISCAL YEAR:** The fiscal year of the Association shall be the calendar year.
3. **SEAL:** The seal of the Association shall consist of a circle around the outer edge of which shall be the name of the Association and in the center of which is inscribed the word "Seal" or such facsimile thereof as may be used from time to time by the Association.
4. **DEVELOPER:** The term "Developer" means CHISOLM STREET PARTNERS, LLC, a limited liability company under the laws of the State of Georgia, its successors and assigns.

SECTION II

MEMBERSHIP: MEMBERS MEETINGS: VOTING AND PROXIES

1. **MEMBERSHIP:** Members of the Association shall be the Council of Co-owners, as that term is defined in 1976 South Carolina Code of Laws Section 27-31-10 et seq., of the Regime. The percentage of stock ownership of each Co-owner in the Association shall be equal

to the percentage of his right to share in the common elements as computed in accordance with the provision of the Act.

2. **ANNUAL MEETINGS:** The annual meeting of the Association shall be held at the office of the Association at 5 o'clock, P.M., or at such other time or location as the Association may select on the first Monday in February of each year, commencing with the year 2001, for the purpose of hearing reports of the officers, electing members of the Board of Directors, and for transacting any other business authorized to be transacted by the members; provided, however, that if that day is a legal holiday, then the meeting shall be held on the next business day thereafter at the same hour and place.

3. **SPECIAL MEETINGS:** Special meetings of the Association shall be held at the place of business of the Association whenever called by the President or Vice-President or by a majority of the Board of Directors. A Special Meeting must be called by such officers upon receipt of a written request for such meeting signed by members entitled to cast not less than ten (10%) percent of the votes of the entire membership.

4. **NOTICE:** Notice of all meetings of the membership stating the time and place and the object for which the meeting is called shall be given by the President, Vice President or Secretary unless waived in writing as set forth herein. Such notice shall be in writing to each member at his address as it appears on the books of the Association and shall be mailed not less than 14 days nor more than 21 days prior to the date of the meeting; or such notice may be given personally. Proof of such notice shall be given by affidavit of the person giving the notice. Notice of meeting may be waived by any member before, during or after meetings by the signing of a document setting forth a waiver by such member.

5. **SECRET BALLOT:** A secret ballot shall be used upon demand made prior to voting by ten percent of the members present and voting during the course of any vote upon any question during any meeting of the Association.

6. **QUORUM:** A quorum at meetings of the Association shall consist of Co-owners with fifty-one (51%) percent or more of the basic value of the Regime property as a whole, as set forth in the Master Deed. The joinder of a member in the action of a meeting by signing and occurring in the minutes thereof shall constitute the presence of such member for the purpose of determining a quorum. When a quorum is present at any meeting, the affirmative vote of owners of at least fifty-one (51%) percent of the value of the Regime property present and voting shall be required to adopt decisions brought before the meeting and shall be binding upon the members except where approval by a greater percentage is required by the Act, the Master Deed establishing the Regime, the Charter of the Association or these By-laws. A Co-owner represented by proxy shall be counted as present for purpose of quorum count and for all other purposes.

7. **VOTING RIGHTS:** Each Co-owner shall have a vote equal to his percentage ownership in the regime property as a whole, as set forth in the Master Deed. Such votes may be cast in person or by proxy. If a unit is owned by one person, his right to vote shall be established by the record title to his unit. If a unit is owned by more than one person, the person entitled to

cast the vote for the unit shall be one of the record Co-owners designated by a certificate signed by all of the record owners of the unit and filed with the Secretary of the Association. If a unit is owned by a corporation, the person entitled to cast a vote for the unit shall be designated by a certificate of appointment signed by the President or Vice-President and attested by the Secretary or Assistant Secretary of the Corporation and filed with the Secretary of the Association. If a unit is owned by a partnership, the person entitled to cast a vote for the unit shall be designated by a certificate of appointment signed by all the partners. Any such certificate shall be valid until revoked, until superseded by a subsequent certificate or until a change in the ownership of the unit concerned. A certificate designating the person entitled to cast the vote of a unit Co-owner may be revoked in like manner as provided hereinabove. If such a certificate is not on file, the vote of such Co-owner shall not be considered in determining the requirement for a quorum nor for any other purpose.

8. PROXIES: A proxy may be made by any person entitled to vote and shall be valid for such period as provided for by law, unless a shorter period is designated in the proxy, and must be filed with the Secretary of the Association before the appointed time of the meeting or any adjournment thereof.

9. ADJOURNED MEETINGS: If any meeting or meetings of members cannot be organized because a quorum is not present, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

10. ORDER OF BUSINESS: At annual meetings of the Association and as far as practical at all other meetings of the Association, the order of business shall be as follows:

- A. Calling of the roll and certifying of proxies.
- B. Proof of notice of meeting or waiver of notice.
- C. Reading and handling of any unapproved minutes.
- D. Reports of Officers.
- E. Reports of Committees.
- F. Election of inspectors of election.
- G. Election of directors.
- H. Unfinished business.
- I. New business.
- J. Adjournment.

11. DEVELOPER CONTROL: Until the Developer has completed and sold all of the units of the Regime, or until December 31, 2002, or until the Developer elects to terminate its control of the Association, whichever shall first occur, the proceedings of all meetings of members of the Association shall have no effect unless approved in writing by the Developer.

12. PRESIDING OFFICER; MINUTE BOOKS: The President of the Association, or the Vice-President in the President's absence, shall preside at all meetings of the Association. If neither officer be present at a duly called meeting, then the membership in attendance shall select a presiding officer by the vote of a majority in interest of the membership present. Minute Books of the Association shall be maintained by the Secretary.

**SECTION III
DIRECTORS**

1. **DIRECTORS:** The initial Board of Directors (the "Initial Directors") shall consist of two (2) members appointed by the Developer, which Directors shall hold office until the event set out in Section III, 2(D). Upon the happening of the event set out in Section III, 2(D), the Association shall elect, and the Board of Directors shall consist of five (5) members elected by the Association as provided herein. From their election three (3) Directors shall serve until the first annual meeting of the Association in February of 20___, or until their successors be elected. Two (2) Directors shall serve until the annual meeting of the Association in February of 20___ and the two (2) directors to serve until February of 20___ shall be so designated at the time of their election.

2. **ELECTION:** Election of Directors shall be conducted in the following manner:

A. Election of Directors shall be held at the annual members meeting upon a majority vote taken on each Directorship.

B. Except as to vacancies arising from removal of Directors by members, vacancies in the Board of Directors occurring between annual meetings of members shall be filled by the remaining Directors.

C. Any Directors may be removed by concurrence of two-thirds (2/3rds) of the votes of the entire membership at a special meeting of the members called for that purpose. The vacancy in the Board of Directors so created shall be filled by the members of the Association at the same meeting.

D. Provided, however, that until the Developer has completed and sold all the units of the Regime, or until December 31, 2002, or until Developer elects to terminate its control of the Regime, whichever shall first occur, the Initial Directors of the Association shall serve, and in the event of vacancies the remaining Director shall fill the vacancy, and if there are not remaining Directors the vacancy shall be filled by the Developer.

3. **TERM:** Except as otherwise provided herein, the terms of each director's service shall be two (2) years and thereafter until his successor is duly elected and qualified or until he is removed in the manner elsewhere provided.

4. **ORGANIZATIONAL MEETING:** The organizational meeting of a newly elected Board of Directors shall be held within ten (10) days of its election at such place and time as shall be fixed by the directors at the meeting at which they were elected and no further notice of the organizational meeting shall be necessary.

5. **REGULAR MEETINGS:** Regular Meetings of the Board of Directors may be held not less often than once each quarter at such time and place as shall be determined from

time to time by a majority of the Directors. Notice of regular meetings shall be given to each director personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting unless such notice is waived in writing. Any such waiver may be given prior to, at or within ten (10) days of the meeting.

6. SPECIAL MEETINGS: Special Meetings of the directors may be called by the President at any time and must be called by the Secretary at the written request of not less than one-third of the directors. Not less than three (3) days notice of the meeting shall be given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Notice of Special Meetings may be waived as in the case of regular meetings. In the case of genuine emergency certified to by a majority of the Board of Directors, special meetings may be held upon call of any Director.

7. WAIVER OF NOTICE: Any Director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.

8. QUORUM: A Quorum at Directors' meetings shall consist of a majority of the entire Board of Directors. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except where approval by a greater number of Directors is required by the Master Deed establishing the Regime, the Act, the Charter of the Association or these By-Laws.

9. ADJOURNED MEETINGS: If at any meeting of the Board of Directors there is less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is present. At any adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice.

10. JOINDER IN MEETING BY APPROVAL OF MINUTES: The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

11. PRESIDING OFFICER: The presiding officer of Directors' meetings shall be the Chairman of the Board if such an officer has been elected by the Board of Directors; and if none, then the President shall preside. In the absence of such presiding officers, the Directors present shall designate one of their number to preside. The Chairman of the Board must be a member of the Board of Directors.

12. ORDER OF BUSINESS: The order of business at Directors' meetings shall be:

- (a) Calling of Roll.
- (b) Proof of due notice of meeting.
- (c) Reading and handling of any unapproved minutes.
- (d) Reports of officers and Committees.
- (e) Election of officers.
- (f) Unfinished business.
- (g) New business.

(h) Adjournment.

13. **DIRECTORS' FEES:** Directors shall be reimbursed for reasonable out of pocket expenses as determined and approved by the members of the Association, but shall not be paid a fee for serving as a Director.

SECTION IV POWERS AND DUTIES OF THE BOARD OF DIRECTORS

All of the powers and duties of the "Council of Co-owners" and of the Association, shall be exercised by the Board of Directors (acting directly or through its agents, contractors or employees) including those existing under the Act, the Articles of Incorporation, these By-laws and the documents establishing the Regime. Such powers and duties of the Directors shall be exercised in accordance with the provisions of the said documents, and shall include but not be limited to the following:

1. To make and collect assessments against members to defray the costs of the Regime.
2. To use the proceeds of assessments in the exercise of its powers and duties.
3. To provide for the maintenance, repair, replacement and operation of the Regime property.
4. To provide for the reconstruction of improvements after casualty and the further improvement of the property.
5. To make and amend regulations with respect to the use of the Regime property.
6. To enforce by legal means the provisions of the Regime documents including without limitation the Master Deed, the Articles of Incorporation of the Association, these By-laws, the Rules and Regulations, and the applicable provisions of the Act.
7. To enter into Management Agreements and contract for the maintenance and care of the Regime property and to delegate to such contractor all powers and duties of the Association except as are specifically required by the Regime documents to have approval by the Board of Governors or the membership of the Association or any portion thereof.
8. To pay taxes and assessments which are liens against any property of the Regime other than the individual units and the appurtenances thereto, and to assess for payment of same.
9. To purchase and carry insurance for the protection of unit owners and the Association against casualty and liability.

10. To pay the cost of all power, water, sewer and other utilities services rendered to the Regime and not billed to owners of individual units.

11. To employ personnel for reasonable compensation to perform the services required for proper administration of the purposes of this Association.

12. To indemnify and hold harmless, or to protect by the purchase of appropriate insurance, on behalf of the Association, members of the Board of Directors appointed by Developer, including successor Directors appointed by Developer, for action taken in good faith in their capacity as Directors of the Association.

SECTION V OFFICERS

1. EXECUTIVE OFFICERS: The executive officers of the Association shall be a President, who shall be a Director, a Vice President, who shall be a Director, a Treasurer and a Secretary, all of whom shall be elected annually by the Board of Directors and who may be peremptorily removed by vote of the Directors at any meeting. Any person may hold two or more offices except that the President shall not also be the Secretary. The Board of Directors shall from time to time elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association. The Board of Directors may select from itself a Chairman of the Board.

2. PRESIDENT: The President shall be the chief executive officer of the Association. He shall have all of the powers and duties which are usually vested in the office of the President of an association, including, but not limited to, the power to appoint committees from among the members from time to time, as he may in his discretion determine appropriate, to assist in the conduct of the affairs of the Association.

3. VICE PRESIDENT: The Vice President shall in the absence or disability of the President exercise the powers and perform the duties of the President. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Directors.

4. SECRETARY: The secretary shall keep the minutes of all proceedings of the Directors and the members. He shall attend to the giving and serving of all notices to the members and Directors and other notices required by law. He shall have custody of the seal of the Association and affix the same to instruments requiring a seal when duly signed. He shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the directors or the President.

5. TREASURER: The Treasurer shall have custody of all property of the Association, including funds, securities and evidences of indebtedness. He shall keep the books

of the Association in accordance with good accounting practices; and he shall perform all other duties incident to the office of the Treasurer.

6. COMPENSATION: The compensation of all officers and employees of the Association shall be fixed by the Directors. The provision that the Directors' fee shall be determined by the members shall not preclude the Board of Directors from employing a Director as an employee of the Association nor preclude the contracting with a Director for the management of the Regime.

SECTION VI MAINTENANCE, UPKEEP AND REPAIR

Responsibility for the maintenance of the property of the Regime shall be as follows:

1. Units.

(a) By the Association. The Association shall maintain, repair and replace at the Association's expense:

(i) All common elements, including portions of a unit, except interior surfaces, contributing to the support of the Building, which portions shall include but not be limited to load-bearing columns and load-bearing walls, all conduits, ducts, plumbing, wiring and other facilities for the furnishing of utility services contained in the portions of a unit maintained by the Association; and all such facilities contained within a unit that service part or parts of the Regime, including other units, other than the unit in which they are contained. Interior surfaces of a unit shall be maintained by the Co-owner.

(ii) All incidental damage caused to a unit by such work shall be promptly repaired at the expense of the Association.

(b) By the Co-owner. The responsibility of the Co-owner shall be as follows:

(i) To maintain, repair and replace at his expense all portions of his unit other than those portions to be maintained, repaired and replaced by the Association, including, but not limited to, service equipment, such as dishwasher, refrigerator, oven, stove, hot water heater, whether or not such items are built-in equipment, and interior fixtures, such as electrical and plumbing fixtures, and floor and wall coverings. Such shall be done without disturbing the rights of other Co-owners.

(ii) No Co-owner shall paint or otherwise decorate or change the appearance of any portion of the exterior of the regime property, including the building(s) thereon.

(iii) To promptly report to the Association any defect or need for repairs, the responsibility for the remedying of which is that of the Association.

2. Common elements.

(a) By the Association. The maintenance and operation of the common elements, both general and limited, shall be the responsibility of the Association and a common expense; provided, however, that in case of emergency and in order to preserve the property or for the safety of the occupants, a Co-owner may assume the responsibility therefor, and he shall be relieved of liability for his acts performed in good faith and reimbursed for his expense by the Association when approved by its Board of Directors.

(b) The Association shall have the power to determine the use to be made of the common elements from time to time, unless the use thereof is otherwise specifically provided for herein or in the Master Deed, provided that no such use shall discriminate against a Co-owner except as may be provided in the Master Deed or exhibits thereto. The Association may establish reasonable charges to be paid to the Association for the use of general common elements not otherwise inconsistent with other provisions of the Master Deed, the Charter or these By-Laws.

SECTION VII FISCAL MANAGEMENT

The making and collection of assessments against Co-owners for common expenses shall be pursuant to the following provisions:

1. **ASSESSMENTS:** The Association shall assess each Co-owner, including the Developer, for his proportionate share of the common expenses, such share being the same as the undivided share of such Co-owner in the general common elements appurtenant to his unit, which assessment shall be made and collected in the manner hereinafter provided, and all such assessments shall be adjusted based on actual costs to the Association.

2. **ACCOUNTS:** The funds and expenditures of the Association shall be credited and charged according to good accounting practices consistently applied to accounts under the following classifications (and such further classification as may be determined from time to time) as shall be appropriate, all of which expenditures shall be common expenses unless other provided:

(a) "Current expense", which shall include all funds and expenditures to be made within the year for which the funds are budgeted, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves, to additional improvements or to operations. The balance in this fund at the end of each year shall be applied to reduce the assessments for current expense for the succeeding year.

(b) "Reserve for deferred maintenance", which shall include funds for maintenance items which occur less frequently than annually.

(c) "Reserve for replacement", which shall include funds for repair or replacement required because of damage, depreciation or obsolescence.

(d) "Additional improvements", which shall include the funds to be used for capital expenditures for additional improvements or additional personal property which will be part of the common elements. If capital funds and expenditures are for alterations or further improvements of common elements, the cost thereof shall be charges to the Co-owners of units in the manner elsewhere provided.

3. BUDGET: The Board of Directors of the Association shall adopt a budget for each calendar year which shall include the estimated funds required to defray the common expense and to provide and maintain funds for the following accounts and reserves (and such further accounts and reserves as the Board may determine from time to time) according to good accounting practices as follows:

(a) "Current expense"

(b) "Reserve for deferred maintenance"

(c) "Reserve for replacement"

(d) "Additional improvements". Provided, however, that no item for this account shall be budgeted without the approval of the Co-owners in the manner elsewhere provided for alteration or further improvement of the common elements.

(e) Provided, however, that until the Developer has completed and sold all of the units of the Regime or until December 31, 2002, or until Developer elects to terminate its control of the Regime, whichever shall first occur, the Board of Directors may omit from the budget all allowances for contingencies and reserves.

(f) "Notice of Budget". Copies of the budget and proposed assessments shall be transmitted to each Co-owner on or before the December 1st preceding the year for which the budget is made. If the budget is subsequently amended, a copy of the amended budget shall be furnished to each Co-owner.

4. ASSESSMENT PROCEDURE.

(a) ANNUALLY; INSTALLMENTS: Assessments against the Co-owners for their shares of the items of the budget shall be mailed for the calendar year annually in advance on or before December 20th preceding the year for which the assessments are made. Such assessments shall be due in twelve (12) equal installments on the first day of each month of the year for which the assessments are made. If an annual assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior assessment and monthly payments thereon shall be due upon each installment payment date until changed by an amended assessment. In the event the annual assessment proves to be insufficient, the budget and assessments therefor may be amended at any time by the Board of Directors of the

Association. The unpaid assessment for the remaining portion of the calendar year for which the amended assessment is made shall be due in equal monthly installments on the first day of each month thereafter during the year for which the assessment is made. The first assessment shall be determined by the Board of Directors of the Association.

(b) ACCELERATION OF ASSESSMENT INSTALLMENTS UPON DEFAULT. If a Co-owner shall be in default in the payment of an installment upon an assessment, the Board of Directors of the Association may accelerate the remaining installments of the assessment upon notice thereof to the Co-owner, and thereupon the unpaid balance of the assessment shall come due upon the date stated in the notice, which date shall be not less than 10 days after delivery thereof to the Co-owner, nor less than 20 days after the mailing of such notice to him by registered or certified mail, whichever shall first occur.

(c) ASSESSMENTS FOR EMERGENCIES. Assessments for emergency common expenses which cannot be paid from the annual assessments for common expenses shall be made only after notice of the need therefor to the Co-owners concerned. After such notice and upon approval in writing by Co-owners owning fifty-one (51%) percent or more of the common elements owned by the Co-owners concerned, the assessment shall become effective, and it shall be due after thirty (30) days' notice thereof in such manner as the Board of Directories of the Association shall require.

5. LIABILITY FOR ASSESSMENTS. A Co-owner shall be liable for all assessments coming due while he, she or it is the owner of a Unit. The Association shall provide for the Issuance, and shall issue to every prospective purchaser, or mortgagee, upon his, her or its request, a statement of the status of the assessment account of the seller or mortgagor. Such a certificate made by the duly authorized representative of the Association as to the status of a Co-owner's assessment account shall limit the liability of any person for whom it is made and who shall justifiably rely thereon, other than the Co-owner.

6. COLLECTION OF ASSESSMENTS.

(a) INTEREST; APPLICATION OF PAYMENTS. Assessments and installments thereon paid on or before ten (10) days after the date when due shall not bear interest, but all sums not paid on or before ten (10) days after the date when due shall bear interest at the lesser of eighteen percent (18%) or the maximum legal rate from the date when due until paid. All payments upon account shall be first applied to interest and then to the assessment payment first due.

(b) LIEN. All assessments against any Co-owner shall constitute a lien against the Co-owner's Unit in favor of 3 CHISOLM STREET HOMEOWNERS ASSOCIATION, INC., as provided by the Act, which lien shall become effective when a notice, claiming such lien, has been duly recorded by the Association in the RMC Office for Charleston County, South Carolina. Such claim of lien shall state the description of the Unit, the name of the record owner, and the amount due and the date when due. Such claim of lien shall be signed and verified by an officer or agent of the Association prior to its being recorded; and no such claim of lien shall be made by the Association unless the assessment, charge or expense, giving

rise to the lien, remains unpaid for more than ten (10) days after same becomes due. Any such lien may be foreclosed by the Association in the manner provided by law for the foreclosure of real estate mortgages. The lien shall secure the payments of all assessments as described in said claim of lien and, in addition thereto, shall secure the payment of subsequent assessments which come due after the filing of the claim of lien and prior to the satisfaction of such lien by foreclosure or otherwise, including interest thereon as provided herein together with all costs and reasonable attorneys' fees incurred by the Association incident to the collection of such assessments or the enforcement of such lien. If foreclosure suit is not commenced within one (1) year after the date of filing such a claim of lien, such claim shall not thereafter be foreclosed, nor shall such claim thereafter constitute a lien on the unit described in such claim. The right of the Association to foreclose a lien as aforesaid shall be in addition to any other remedy, at law or in equity, which may be available to it for the collection of the monthly charges and expenses, including the right to proceed personally against any delinquent owner for the recovery of a judgment "in personam". Any personal judgment against any such delinquent Co-owner may include all unpaid subsequent assessments which come due after the institution of such suit and prior to such Order of Judgment, including interest thereon as provided herein, together with all costs and reasonable attorneys' fees incurred by the Association incident to the collection of such assessments.

(c) RENTAL PENDING FORECLOSURE. In any foreclosure of a lien for assessments, the Association shall, pending foreclosure, be entitled to the appointment of a receiver who shall collect a reasonable rental for the use of the unit subject to the lien, which rental shall be applied to the obligations of the Co-owner after deductions for costs of the receivership.

7. ABATEMENT OF ASSESSMENTS: Assessments provided for herein shall abate during the period for which any unit shall be both (a) owned by a foreclosing mortgagee pursuant to the sale at foreclosure or a deed in lieu of foreclosure, and (b) unoccupied.

8. ASSESSMENTS LIEN SUBORDINATE TO MORTGAGE LIEN: The lien of the assessments provided for herein shall be subordinate to the lien of any first-lien mortgage(s) now or hereafter placed upon the properties subject to the assessment; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to a sale or transfer of such property pursuant to a decree of foreclosure or any other proceedings in lieu of foreclosure. Such sale or transfer shall not relieve such property from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessments.

SECTION VIII INSURANCE

1. Insurance policies upon the property, covering the items described hereinbelow, shall be purchased by 3 CHISOLM STREET HOMEOWNERS ASSOCIATION, INC. for the benefit of the Association and the Co-owners of the Units and their respective 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 the Association, which shall hold them.

2. Insurance shall cover the following when available:

(a) All buildings and improvements upon the land and all personal property included in the common elements but excluding the Units, coverage for which shall be the responsibility of each Co-owner, in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs, as determined annually by the Board of Directors of the Association. Such coverage shall afford protection against loss or damage by fire and other hazards covered by a standard extended coverage endorsement, flood and earthquake insurance and such other risks as are customarily covered with respect to buildings and improvements similar to the buildings and improvements on the land, such as, but not limited to, vandalism and malicious mischief;

(b) Public liability in such amounts and with such coverage as shall be determined by the Board of Directors of the Association, including, but not limited to, hired automobile and non-owned automobile coverages, and with cross liability endorsement to cover liabilities of the Co-owners of all Units as a group to a Unit Co-owner;

(c) Workmen's Compensation (if required);

(d) Such other insurance as the Board of Directors of the Association shall from time to time determine to be desirable.

3. Premiums upon insurance policies purchased by the Association shall be paid by the Association as a common expense.

4. The Association is hereby irrevocably appointed agent for each Co-owner to adjust all claims arising under insurance policies purchased by the Association, and to execute and deliver releases upon payment of claims.

5. The Association shall receive such proceeds as are paid and hold the same in trust for the purposes elsewhere stated herein for the benefit of the Co-owners and their mortgagees, in the following shares:

(a) Proceeds on account of damage to common elements shall consist of an undivided share for each Co-owner, such share being the same as the undivided share of such Co-owner in the common elements appurtenant to his, her or its Unit.

(b) Proceeds on account of damage to Units shall be held for the Co-owners thereof in proportion to the cost of repairing the damage suffered by each Co-owner, which costs shall be determined by the Association. In the event a decision is made not to reconstruct the Units, as provided hereinafter and in the Act, such proceeds shall be held for the Co-owners in the proportion in which they own the common elements.

(c) In the event a mortgagee endorsement has been issued as to an Unit, the share of the Co-owner shall be held in trust for the mortgagee and the Co-owner as their interests may appear; provided, however, that no mortgagee shall have any right to determine or participate in the determination as to whether or not any damaged property shall be reconstructed or repaired.

6. Proceeds of insurance policies received by the Association shall be distributed to or for the benefit of the beneficial owners in the following manner:

(a) All expenses of the Association in administering the funds shall be paid or provisions made for payment.

(b) If the damaged property for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial owners, remittances to Co-owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Unit and may be enforced by him.

(c) If it is determined in a manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the beneficial owners, remittances to Co-owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a Unit and may be enforced by him.

7. In making distribution to Co-owners and their mortgagees, the Association may rely upon the records of the Association as to the names of the Co-owners and their respective shares of the distribution.

8. No provisions of this Paragraph, the Master Deed, nor these By-Laws, shall be deemed to prevent or prohibit any Co-owner from obtaining additional insurance on his, her or its unit for his, her or its own account and benefit; from insuring such furniture, furnishings, or other personal property as they may have in their individual unit, for their own individual account and benefit; or from obtaining such additional public liability coverage as they may desire for their own individual protection. No Co-owner shall, however, insure any part of the common elements whereby, in the event of loss thereto, the right of the Association to recover the insurance indemnity for such loss, in full, shall be diminished or impaired in any way.

SECTION IX RECONSTRUCTION OR REPAIR AFTER CASUALTY

1. In the event of fire or other disaster or casualty resulting in damage to a building or buildings and common elements of the Regime which the Board of Directors of the Association shall determine to be two-thirds or less of the then total value of the property of the Regime, the net proceeds of all insurance collected shall be made available for the purpose of restoration or replacement. When such insurance proceeds are insufficient to cover the cost of

such reconstruction or replacement, the balance of such costs shall be assessed against the Co-owners in the case of damage to common elements and against the Co-owners who own the damaged Units in the case of damage to Units. Such assessments on account of damage to common elements shall be in proportion to the Co-owner's share in the common elements, and assessments against Co-owners for damage to Units shall be in proportion to the costs of reconstruction and repair of their respective units.

2. In the event the buildings and improvements of the Regime are damaged or destroyed to more than two-thirds of the then total value of the property of the Regime as determined by the Board of Directors of the Associations, the members of the Association shall be polled in writing via United States Mail by the Association as to whether the Regime shall be waived or the damaged property reconstructed and repaired. The Regime shall be waived unless within ninety (90) days after the mailing of such notices all of the Co-owners agree in writing to repair and reconstruct the buildings and improvements of the Regime. If the election is to repair and reconstruct the buildings and improvements of the Regime, payment of the costs thereof shall be made as provided for in paragraph 1 of this Section IX. If the decision is to waive the Regime and not reconstruct and repair, all sums recovered from insurance shall be paid over jointly to the Co-owners in the proportion in which they own the common elements and to their respective mortgagees, as their interest may appear.

3. The Association may rely upon a certificate of the Board of Directors to determine whether or not the damaged property is to be reconstructed or repaired or whether the Regime is to be waived.

4. Immediately after a casualty causing damage to property for which the Association has the responsibility of maintenance and repair, the Association shall obtain reliable and detailed estimates of the cost to rebuild or repair so as to place the damaged property in condition as good as that before the casualty.

5. Any reconstruction or repair must be substantially in accordance with the plans and specifications for the original improvements which are shown on the exhibits attached to the Master Deed; or if not, then according to plans and specifications approved by the Board of directors of the Association. The approvals herein required shall not be unreasonably withheld.

SECTION X OPTION TO PURCHASE

Any transfer of ownership of a unit must be approved by the Association, as set forth in the Master Deed.

**SECTION XI
FUNDS**

1. **DEPOSITORY:** The depository of the Association shall be such bank or banks as shall be designated from time to time by the Directors and in which the moneys of the Association shall be deposited. Withdrawal of moneys from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

2. **AUDIT:** An examination and report of the accounts of the Association shall be made annually by a certified public accountant, a copy of which shall be furnished, or made available, to each member not later than April 1 of the year following the year for which the examination is made. An audit of the accounts of the Association shall be made upon demand in writing by Co-owners representing fifty-one (51%) percent or more of the basic value of the property as a whole.

3. **FIDELITY BONDS:** Fidelity bonds may be required by the Board of Directors from all persons handling or responsible for Association funds. The amount of such bonds shall be determined by the Directors, but shall be at least one-half of the amount of the total annual assessments against members for common expenses. The premium on such bonds shall be the Association.

**SECTION XII
NON-LIABILITY AND INDEMNITY OF DIRECTORS AND OFFICERS**

1. No Director or officer of the Association shall be liable for acts, defaults or neglects of any other Director or officer or member or for any loss sustained by the Association or any Co-owner, unless the same shall have resulted from his own willful or negligent act or omission.

2. Every Director and officer of the Association shall be indemnified by the Association against all reasonable costs, expenses and liabilities (including counsel fees) actually and necessarily incurred by or imposed upon him in connection with or resulting from any claim, action, suit, procedure, investigation, or inquiry as to whatever nature in which he may be involved as a part or otherwise by reason of his being or having been a Director or officer of the Association whether or not he continues to be such Director or officer at the time of incurring or imposition of such costs, expenses, or liabilities, except in relation to matters as to which he shall be finally adjudged in such action, suit, proceeding, investigation, or inquiry to be liable for willful misconduct or willful neglect in the performance of his duties. As to whether a Director or officer is liable by reason of willful misconduct or willful neglect in the performance of his duties, in the absence of such final adjudication of the existence of such liability, the Association and each member thereof and officer thereunder may conclusively rely on an opinion of legal counsel selected by the Association. The foregoing right of indemnification shall be in addition to and not in limitation of all other rights to which such person may be entitled as a matter of law, and such shall inure to the benefit of the legal representative of such person.

**SECTION XIII
DEFINITIONS**

1. The members of the Association shall be all the Co-owners of the property.
2. The majority of members or majority of Co-owners means members (Co-owners) owning fifty-one percent or more of the basic value of the property as a whole, as set forth in the Master Deed.
3. All definitions set forth in the Master Deed are incorporated by reference herein.

**SECTION XIV
PARLIAMENTARY RULES**

Roberts' Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with the Charter and By-laws of the Association, the Master Deed establishing the Regime, or with the laws of the State of South Carolina.

**SECTION XV
AMENDMENTS**

These By-laws may be amended in the following manner:

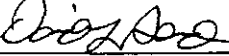
1. **NOTICE:** Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting at which a proposed amendment is considered.
2. **RESOLUTION:** A resolution for the adoption of the proposed amendment shall be presented to a meeting of the members of the Association. The affirmative vote of Co-owners representing at least two thirds of the total value of the property shall be required for approval of an amendment.
3. **PROVISO:** Provided, however, that no amendment shall discriminate against any Co-owner or against any Unit or class or group of Units unless the Co-owners so affected shall consent. No Amendment shall be made which is in conflict with the Act, the Charter of the Association or the Master Deed establishing the Regime. Until the Developer has completed or sold all of the units of the Regime or until December 31, 2002, or until Developer elects to terminate its control of the Association, whichever shall first occur, these By-laws shall not be amended without consent of the Developer in writing.
4. **EXECUTION AND RECORDING:** A copy of each amendment shall be attached to a certificate certifying that the amendment was duly adopted, which certificate shall be executed by the officers of the Association with formalities of a deed. The amendment shall be effective when such certificate and a copy of the amendment are recorded in the RMC Office for Charleston County, South Carolina.

The foregoing were adopted as By-laws of 3 CHISOLM STREET HOMEOWNERS ASSOCIATION, INC., a non-profit corporation existing under the laws of the State of South Carolina, at the first meeting of the Board of Directors on November 29, 2001.



John W. Wilcox, III, Secretary (SEAL)

APPROVED:




David L. Perdue, President

APPROVED:



David L. Perdue, Director



John W. Wilcox, III, Director